

**ANNUAL FINANCIAL REPORT**

**FOR FISCAL YEAR 2010**

**(As per Article 4, L. 3556/2007)**

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## **1. Audited Annual Financial Statements**

## **1.1 Group Consolidated Financial Statements**

# **HELLENIC PETROLEUM S.A.**

Consolidated Financial Statements  
in accordance with IFRS for the  
year ended 31 December 2010



COMPANY REGISTRATION NUMBER: 2443/06/B/86/23  
REGISTERED OFFICE: 8<sup>A</sup> CHIMARRAS STR, 151 27 MAROUSSI, GREECE

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## Company Information

### Directors

Anastasios Giannitsis – Chairman of the Board (since 02/12/2009)  
John Costopoulos – Chief Executive Officer  
Theodoros-Achilleas Vardas – Executive Member  
Dimokritos Amallos – Non executive Member (since 28/12/2009)  
Alexios Athanasopoulos – Non executive Member  
Anastassios Banos – Non executive Member (since 28/12/2009)  
Georgios Kallimopoulos – Non executive Member  
Alexandros Katsiotis – Non executive Member (since 28/12/2009)  
Gerassimos Lachanas – Non executive Member (since 28/12/2009)  
Dimitrios Lalas – Non executive Member (since 28/12/2009)  
Panagiotis Ofthalmides – Non executive Member  
Theodoros Pantalakis – Non executive Member (since 28/12/2009)  
Spyridon Pantelias – Non executive Member (since 28/12/2009)

### Other Board Members during the previous period:

Efthimios Christodoulou – Chairman of the Board (until 02/12/2009)  
Nikolaos Leros – Executive Member (until 05/05/2009)  
Ioulia Armagou – Non executive Member (07/08/2008 – 28/12/2009)  
Vasilios Bagiokos – Non executive Member (until 28/12/2009)  
Dimitrios Miliakos – Non executive Member (14/05/2008 – 02/12/2009)  
Panagiotis Pavlopoulos – Non executive Member (until 28/12/2009)  
Nikolaos Pefkianakis – Non executive Member (05/05/2009 – 28/12/2009)  
Iason Stratos – Non executive Member (until 28/12/2009)  
Elisabeth Typaldou-Loverdou – Non executive Member (until 28/12/2009)

### Registered Office:

8A Chimarras Str.  
15121 Maroussi, Greece

### Registration number:

2443/06/B/86/23

### Auditors:

PricewaterhouseCoopers S.A.  
268 Kifissias Ave.  
152 32 Halandri  
Greece



## Consolidated statement of financial position

|  |      | As at            |                  |
|--|------|------------------|------------------|
|  | Note | 31 December 2010 | 31 December 2009 |
| <b>ASSETS</b>  |      |                  |                  |
| <b>Non-current assets</b>  |      |                  |                  |
| Property, plant and equipment                                    | 6    | 2.668.495        | 2.114.759        |
| Intangible assets  | 7    | 165.148          | 184.049          |
| Investments in associates and joint ventures                     | 8    | 560.783          | 517.378          |
| Deferred income tax assets                                       | 18   | 38.827           | 23.919           |
| Available-for-sale financial assets                              |      | 2.078            | 2.716            |
| Loans, advances and other receivables                            | 9    | 123.454          | 139.572          |
|  |      | <b>3.558.785</b> | <b>2.982.393</b> |
| <b>Current assets</b>  |      |                  |                  |
| Inventories  | 10   | 1.600.625        | 1.373.953        |
| Trade and other receivables                                      | 11   | 938.837          | 915.683          |
| Held to maturity securities                                      | 12   | 167.968          | -                |
| Cash and cash equivalents  | 13   | 595.757          | 491.196          |
|  |      | <b>3.303.187</b> | <b>2.780.832</b> |
| <b>Total assets</b>  |      | <b>6.861.972</b> | <b>5.763.225</b> |
| <b>EQUITY</b>  |      |                  |                  |
| Share capital  | 14   | 1.020.081        | 1.020.081        |
| Reserves   | 15   | 500.066          | 505.839          |
| Retained Earnings  |      | 866.737          | 841.374          |
| <b>Capital and reserves attributable to owners of the parent</b> |      | <b>2.386.884</b> | <b>2.367.294</b> |
| <b>Non-controlling interests</b>                                 |      | 144.734          | 141.246          |
| <b>Total equity</b>  |      | <b>2.531.618</b> | <b>2.508.540</b> |
| <b>LIABILITIES</b>   |      |                  |                  |
| <b>Non-current liabilities</b>                                   |      |                  |                  |
| Borrowings   | 17   | 1.127.878        | 607.805          |
| Deferred income tax liabilities                                  | 18   | 50.796           | 53.613           |
| Retirement benefit obligations                                   | 19   | 143.414          | 148.464          |
| Long term derivatives  | 21   | 66.296           | 37.253           |
| Provisions and other long term liabilities                       | 20   | 49.909           | 56.944           |
|  |      | <b>1.438.293</b> | <b>904.079</b>   |
| <b>Current liabilities</b>                                       |      |                  |                  |
| Trade and other payables   | 16   | 1.472.712        | 1.033.852        |
| Current income tax liabilities                                   |      | 119.227          | 9.041            |
| Borrowings   | 17   | 1.297.103        | 1.304.843        |
| Dividends payable  |      | 3.019            | 2.870            |
|  |      | <b>2.892.061</b> | <b>2.350.606</b> |
| <b>Total liabilities</b>   |      | <b>4.330.354</b> | <b>3.254.685</b> |
| <b>Total equity and liabilities</b>                              |      | <b>6.861.972</b> | <b>5.763.225</b> |

The notes on pages 11 to 59 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the board on 24 February 2011.

A. Giannitsis

J. Costopoulos

A. Shiamishis

I. Letsios

Chairman of the Board

Chief Executive Officer

Chief Financial Officer

Accounting Director

## Consolidated statement of comprehensive income

|   |      | For the year ended |                  |
|---|------|--------------------|------------------|
|   | Note | 31 December 2010   | 31 December 2009 |
| <b>Sales</b>  |      | <b>8.476.805</b>   | <b>6.756.666</b> |
| Cost of sales   |      | (7.660.776)        | (6.042.836)      |
| <b>Gross profit</b>   |      | <b>816.029</b>     | <b>713.830</b>   |
| Selling, distribution and administrative expenses                             | 23   | (486.762)          | (419.241)        |
| Exploration and development expenses  | 24   | (20.660)           | (15.441)         |
| Other operating (expenses) / income- net                                      | 25   | 35.306             | (17.921)         |
| <b>Operating profit</b>   |      | <b>343.913</b>     | <b>261.227</b>   |
| Finance (expenses) / income- net  | 26   | (59.434)           | (33.517)         |
| Currency exchange gains / (losses)  | 27   | (15.793)           | (3.714)          |
| Share of net result of associates and dividend income                         | 8    | 30.027             | 18.418           |
| <b>Profit before income tax</b>   |      | <b>298.713</b>     | <b>242.414</b>   |
| Income tax (expense) / credit   | 28   | (111.294)          | (66.152)         |
| <b>Profit for the year</b>  |      | <b>187.419</b>     | <b>176.262</b>   |
| <b>Other comprehensive income:</b>  |      |                    |                  |
| Fair value gains / (losses) on available-for-sale financial assets            | 15   | 44                 | (201)            |
| Unrealised gains / (losses) on revaluation of hedges                          | 15   | (25.188)           | 7.425            |
| Currency translation differences on consolidation of subsidiaries             | 15   | 639                | (4.852)          |
| <b>Other Comprehensive (loss) / income for the year, net of tax</b>           |      | <b>(24.505)</b>    | <b>2.372</b>     |
| <b>Total comprehensive income for the year</b>                                |      | <b>162.914</b>     | <b>178.634</b>   |
| <b>Profit attributable to:</b>  |      |                    |                  |
| Owners of the parent  |      | 179.818            | 174.890          |
| Non-controlling interests   |      | 7.601              | 1.372            |
|   |      | <b>187.419</b>     | <b>176.262</b>   |
| <b>Total comprehensive income attributable to:</b>                            |      |                    |                  |
| Owners of the parent  |      | 155.773            | 178.780          |
| Non-controlling interests   |      | 7.141              | (146)            |
|   |      | <b>162.914</b>     | <b>178.634</b>   |
| <b>Basic and diluted earnings per share<br/>(expressed in Euro per share)</b> | 29   | <b>0,59</b>        | <b>0,57</b>      |

The notes on pages 11 to 59 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

|  |      | Attributable to owners of the Parent |                 |                   |                  |                          |                  |
|--|------|--------------------------------------|-----------------|-------------------|------------------|--------------------------|------------------|
|  | Note | Share Capital                        | Reserves        | Retained Earnings | Total            | Non-controlling Interest | Total Equity     |
| <b>Balance at 1 January 2009</b>                                   |      | <b>1.020.081</b>                     | <b>496.801</b>  | <b>808.002</b>    | <b>2.324.884</b> | <b>148.782</b>           | <b>2.473.666</b> |
| Fair value gains / (losses) on available-for-sale financial assets | 15   | -                                    | (108)           | -                 | (108)            | (93)                     | (201)            |
| Currency translation differences on consolidation of subsidiaries  | 15   | -                                    | (3.427)         | -                 | (3.427)          | (1.425)                  | (4.852)          |
| Unrealised gains / (losses) on revaluation of hedges               | 15   | -                                    | 7.425           | -                 | 7.425            | -                        | 7.425            |
| <b>Other comprehensive income / (loss)</b>                         |      | <b>-</b>                             | <b>3.890</b>    | <b>-</b>          | <b>3.890</b>     | <b>(1.518)</b>           | <b>2.372</b>     |
| Profit for the year  |      | -                                    | -               | 174.890           | 174.890          | 1.372                    | 176.262          |
| <b>Total comprehensive income for the year</b>                     |      | <b>-</b>                             | <b>3.890</b>    | <b>174.890</b>    | <b>178.780</b>   | <b>(146)</b>             | <b>178.634</b>   |
| Share capital decrease of minority shareholders of ELPET           |      | -                                    | -               | -                 | -                | (7.390)                  | (7.390)          |
| Share based payments   | 14   | -                                    | 1.166           | -                 | 1.166            | -                        | 1.166            |
| Transfers from retained earnings ( Law 3299/04)                    | 15   | -                                    | 1.147           | (1.147)           | -                | -                        | -                |
| Transfers to statutory reserves                                    | 15   | -                                    | 2.835           | (2.835)           | -                | -                        | -                |
| Dividends relating to 2008 and interim dividend 2009               | 15   | -                                    | -               | (137.536)         | (137.536)        | -                        | (137.536)        |
| <b>Balance at 31 December 2009</b>                                 |      | <b>1.020.081</b>                     | <b>505.839</b>  | <b>841.374</b>    | <b>2.367.294</b> | <b>141.246</b>           | <b>2.508.540</b> |
| Fair value gains / (losses) on available-for-sale financial assets | 15   | -                                    | 44              | -                 | 44               | -                        | 44               |
| Currency translation differences on consolidation of subsidiaries  | 15   | -                                    | 1.099           | -                 | 1.099            | (460)                    | 639              |
| Unrealised gains / (losses) on revaluation of hedges               | 15   | -                                    | (25.188)        | -                 | (25.188)         | -                        | (25.188)         |
| <b>Other comprehensive income / (loss)</b>                         |      | <b>-</b>                             | <b>(24.045)</b> | <b>-</b>          | <b>(24.045)</b>  | <b>(460)</b>             | <b>(24.505)</b>  |
| Profit for the year  |      | -                                    | -               | 179.818           | 179.818          | 7.601                    | 187.419          |
| <b>Total comprehensive income for the year</b>                     |      | <b>-</b>                             | <b>(24.045)</b> | <b>179.818</b>    | <b>155.773</b>   | <b>7.141</b>             | <b>162.914</b>   |
| Share based payments   | 14   | -                                    | 1.352           | -                 | 1.352            | -                        | 1.352            |
| Transfers to statutory and tax reserves                            | 15   | -                                    | 16.919          | (16.919)          | -                | -                        | -                |
| Dividends to minority shareholders                                 | 15   | -                                    | -               | -                 | -                | (3.652)                  | (3.652)          |
| Dividends relating to 2009 and interim dividend 2010               | 15   | -                                    | -               | (137.536)         | (137.536)        | -                        | (137.536)        |
| <b>Balance at 31 December 2010</b>                                 |      | <b>1.020.081</b>                     | <b>500.065</b>  | <b>866.737</b>    | <b>2.386.883</b> | <b>144.734</b>           | <b>2.531.618</b> |

The notes on pages 11 to 59 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

|   |             | <b>For the year ended</b> |                         |
|---|-------------|---------------------------|-------------------------|
|   | <b>Note</b> | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| <b>Cash flows from operating activities</b>                                 |             |                           |                         |
| Cash generated from operations  | <b>31</b>   | 719.272                   | 367.430                 |
| Income and other taxes paid   |             | (13.552)                  | (16.659)                |
| <b>Net cash generated from operating activities</b>                         |             | <b>705.720</b>            | <b>350.771</b>          |
| <b>Cash flows from investing activities</b>                                 |             |                           |                         |
| Purchase of property, plant and equipment & intangible assets               | <b>6,7</b>  | (709.338)                 | (613.944)               |
| Proceeds from disposal of property, plant and equipment & intangible assets |             | 8.986                     | 4.075                   |
| Acquisition of subsidiary, net of cash acquired                             | <b>34</b>   | 10.901                    | (336.124)               |
| Grants received   |             | 131                       | 3.983                   |
| Interest received   | <b>26</b>   | 13.270                    | 20.914                  |
| Dividends received  |             | 4.462                     | 9.658                   |
| Investments in associates - net   |             | (17.720)                  | (674)                   |
| <b>Net cash used in investing activities</b>                                |             | <b>(689.308)</b>          | <b>(912.112)</b>        |
| <b>Cash flows from financing activities</b>                                 |             |                           |                         |
| Interest paid   | <b>26</b>   | (72.061)                  | (53.919)                |
| Dividends paid to shareholders of the Company                               |             | (137.369)                 | (137.901)               |
| Dividends paid to non-controlling interests                                 |             | (3.652)                   | -                       |
| Held-to-maturity securities   | <b>12</b>   | (167.968)                 | -                       |
| Proceeds from borrowings  |             | 662.122                   | 1.723.132               |
| Repayments of borrowings  |             | (191.354)                 | (1.350.085)             |
| <b>Net cash generated from financing activities</b>                         |             | <b>89.718</b>             | <b>181.227</b>          |
| <b>Net increase / (decrease) in cash &amp; cash equivalents</b>             |             | <b>106.130</b>            | <b>(380.114)</b>        |
| <b>Cash &amp; cash equivalents at the beginning of the year</b>             | <b>13</b>   | <b>491.196</b>            | <b>876.536</b>          |
| Exchange (losses) / gains on cash & cash equivalents                        |             | (1.569)                   | (5.226)                 |
| Net increase / (decrease) in cash & cash equivalents                        |             | 106.130                   | (380.114)               |
| <b>Cash &amp; cash equivalents at end of the year</b>                       | <b>13</b>   | <b>595.757</b>            | <b>491.196</b>          |

The notes on pages 11 to 59 are an integral part of these financial statements.

## **Notes to the consolidated financial statements**

### **1 General information**

Hellenic Petroleum (the “Company”) and its subsidiaries (together “Hellenic Petroleum” or the “Group”) operate in the energy sector predominantly in Greece and the Balkans. The Group’s main activities include:

- Refining and marketing of oil products (R&M)
- Exploration, development and production, of hydrocarbons (E&P)
- Manufacturing and marketing of petrochemical products
- Power generation and trading

The parent Company is incorporated in Greece and the address of its registered office is 8<sup>A</sup> Chimarras street, Maroussi. The shares of the Company are listed on the Athens Stock Exchange and the London Stock Exchange through GDNs.

The financial statements and the consolidated financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2010 were authorised for issue by the Board of Directors on 24 February 2011. The shareholders of the Company have the power to amend the financial statements after issue.

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### 2.1 Basis of preparation

These consolidated financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"). The European Union ("EU") has adopted all IFRS that were issued by the IASB and are effective for the year ended 31 December 2010, with the exception of certain provisions of IAS 39 that have no effect in our consolidated financial statements. As such, these consolidated financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with International Financial Reporting Standards issued by the IASB.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements, in accordance with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 "Critical accounting estimates and judgments". These estimates are based on management's best knowledge of current events and actions; actual results ultimately may differ from those estimates.

The Group results for the year ended 31 December 2010 include the results of Hellenic Fuels (formerly BP Hellas), which was acquired in December 2009.

#### 2.1.1 Changes in accounting policies and disclosures

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current reporting period and subsequent reporting periods. The Group's evaluation of the effect of new standards, amendments to standards and interpretations is set out below.

a) The following standards, amendments to standards and interpretations to existing standards are applicable to the Group for periods on or after 1 January 2010:

- *IAS 24 (Amendment) 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011).* This amendment attempts to relax disclosures of transactions between government-related entities and clarify related-party definition. More specifically, it removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, clarifies and simplifies the definition of a related party and requires the disclosure not only of the relationships, transactions and outstanding balances between related parties, but of commitments as well in both the consolidated and the individual financial statements. The Group will apply these changes from their effective date.
- *IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Amended) 'Consolidated and Separate Financial Statements'* The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss. The amended IAS 27 requires a change in ownership interest of a subsidiary to be accounted for as an equity transaction. The amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Furthermore the acquirer in a

business combination has the option of measuring the non-controlling interest, at the acquisition date, either at fair value or at the amount of the percentage of the non-controlling interest over the net assets acquired. The Group has applied the revised and amended standards from 1 January 2010.

- *IFRS 7 (Amendment) “Financial Instruments: Disclosures” – transfers of financial assets (effective for annual periods beginning on or after 1 July 2011)*. This amendment sets out disclosure requirements for transferred financial assets not derecognised in their entirety as well as on transferred financial assets derecognised in their entirety but in which the reporting entity has continuing involvement. It also provides guidance on applying the disclosure requirements. This amendment has not yet been endorsed by the EU
  - *IFRS 9 ‘Financial Instruments’ (effective for annual periods beginning on or after 1 January 2013)*. IFRS 9 is the first part of Phase 1 of the Board’s project to replace IAS 39. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. IFRS 9 states that financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Subsequently financial assets are measured at amortised cost or fair value and depend on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 prohibits reclassifications except in rare circumstances when the entity’s business model changes; in this case, the entity is required to reclassify affected financial assets prospectively. IFRS 9 classification principles indicate that all equity investments should be measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognised in profit or loss. IFRS 9 removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. The Group is currently investigating the impact of IFRS 9 on its financial statements. The Group cannot currently early adopt IFRS 9 as it has not been endorsed by the EU. Only once approved will the Group decide if IFRS 9 will be adopted prior to 1 January 2013.
- b) The following amendments to standards and interpretations to existing standards are mandatory for the Group’s accounting periods beginning on or after 1 January 2010 or later periods, but without any significant impact to the Group’s operations:
- IAS 32 (Amendment) ‘Financial Instruments: Presentation’ (effective for annual periods beginning on or after 1 February 2010)
  - IAS 39 (Amendment) ‘Financial Instruments: Recognition and Measurement’
  - IFRS 2 (Amendment) ‘Share-based Payment’
  - IFRIC 12 – Service Concession Arrangements (EU endorsed for periods beginning on or after 30 March 2009)
  - IFRIC 14 (Amendment) ‘The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, (effective for annual periods beginning on or after 1 January 2011)
  - IFRIC 17 “Distributions of non-cash assets to owners” (EU endorsed for periods beginning on or after 1 July 2009)
  - IFRIC 18 “Transfers of assets from customers” (EU-endorsed for use annual periods beginning on or after 1 November 2009)
  - IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010)

- Amendments to standards were issued in July 2009 following the publication of the results of the IASB's annual improvements project. The effective dates vary by standard, but most are effective for annual periods beginning on or after 1 January 2010. The amendments will not have a material impact on the Group's interim consolidated financial information.
  - Amendments to standards were issued in May 2010 following the publication of the results of the IASB's 2010 annual improvements project. The effective dates vary by standard, but most are effective for annual periods beginning on or after 1 January 2011. The amendments will not have a material impact on the Group's financial statements.
- c) The following amendments to standards and interpretations to existing standards are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are not applicable to the Group:
- IAS 12 (Amendment) "Income Taxes" (effective for annual periods beginning on or after 1 January 2012). This amendment has not yet been endorsed by the EU.
  - IFRIC 15 - Agreements for the construction of real estate (EU endorsed for use from 1 January 2010)
  - IFRIC 16 - Hedges of a net investment in a foreign operation (EU endorsed for use from 1 July 2009)

## **2.2 Consolidation**

### *(a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income (see Note 2.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### *(b) Transactions with non-controlling interests*

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid



and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

*(c) Joint ventures*

The Group's interests in jointly controlled assets are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture to the extent that the gain or loss is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint ventures' accounting policies are changed where necessary to ensure consistency with the policies adopted by the Group. Currently the Group does not have any such cases.

The Group's interests in jointly controlled entities are accounted for using the equity method. The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

*(d) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (see Note 2.6).

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognized in the income statement.

## **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

## **2.4 Foreign currency translation**

### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### *(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## **2.5 Property, plant and equipment**

Land and buildings comprise mainly plant, the owned retail network and offices. All property, plant and equipment is shown at historical cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement as incurred. Refinery refurbishment costs are deferred and charged against income on a straight line basis over the scheduled refurbishment period.

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as shown on the table below for the main classes of assets:

|   |               |
|---|---------------|
| – Land  | Nil           |
| – Buildings   | 13 – 20 years |
| – Specialised industrial installations              | 10 – 25 years |
| – Machinery, equipment and transportation equipment | 5 – 8 years   |
| – Furniture and fixtures                            | 4 – 8 years   |
| – Computer hardware                                 | 3 – 5 years   |
| – LPG carrier                                       | 25 years      |
| – White products carrier                            | 25 years      |
| – Vessels   | 20 – 25 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement within 'Other income / (expenses) – net'.

### *Capitalisation of borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Borrowing costs are capitalised to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. All other borrowing costs are expensed as incurred.

## **2.6 Intangible assets**

### *(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not

reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. In the event that the fair value of the Company's share of the identifiable assets of the acquired subsidiary at the date of acquisition is higher than the cost, the excess remaining is recognised immediately in the statement of comprehensive income.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

*(b) Licences and rights*

License fees for the use of know-how relating to the polypropylene plant have been capitalised in accordance with IAS 38, Intangible Assets. They have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is being calculated using the straight-line method to allocate the cost of licences and rights over their estimated useful lives (15 years).

Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant licences.

*(c) Computer software*

These include primarily the costs of implementing the (ERP) computer software program. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their estimated useful lives (3 years).

## **2.7 Exploration for and Evaluation of Mineral Resources**

*(a) Exploration and evaluation assets*

During the exploration period and before a commercial viable discovery, oil and natural gas exploration and evaluation expenditures are expensed. Geological and geophysical costs as well as costs directly associated with an exploration are expensed as incurred. Exploration property leasehold acquisition costs are capitalized within intangible assets and amortised over the period of the licence or in relation to the progress of the activities if there is a substantial difference.

*(b) Development of tangible and intangible assets*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within tangible and intangible assets according to their nature. When development is completed on a specific field, it is transferred to production assets. No depreciation and/or amortization is charged during development.

*(c) Oil and gas production assets*

Oil and gas properties are aggregated exploration and evaluation tangible assets and development expenditures associated with the production of proved reserves.

*(d) Depreciation/amortization*

Oil and gas properties/intangible assets are depreciated/amortized using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

*(e) Impairment – exploration and evaluation assets*

The exploration property leasehold acquisition costs are tested for impairment whenever facts and circumstances indicate impairment. For the purposes of assessing impairment, the exploration property leasehold acquisition

costs subject to testing are grouped with existing cash-generating units (CGUs) of production fields that are located in the same geographical region corresponding to each licence.

*(f) Impairment – proved oil and gas properties and intangible assets*

Proven oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## **2.8 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and, are tested annually for impairment. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (discounted cash flows an asset is expected to generate based upon management's expectations of future economic and operating conditions). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.9 Financial assets**

### **2.9.1 Classification**

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

*(a) Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

*(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

*(c) Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale

*(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

**2.9.2 Recognition and measurement**

Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets are subsequently carried at cost less impairment as the equity instruments can not be reliably measured. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘Financial assets at fair value through profit or loss’ category are included in the statement of comprehensive income in the period in which they have arisen. Changes in the fair value of monetary and non monetary financial assets classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as “gains or loss from investment securities”.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer’s specific circumstances.

**2.9.3 Impairment of financial assets**

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

If there is objective evidence that an impairment loss on held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Impairment testing of trade receivables is described in note 2.13.

**2.10 Derivative financial instruments and hedging activities**

As part of its risk management policy, the Group utilizes financial and commodity derivatives to mitigate the impact of future price volatility. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain

or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In 2006, the Group entered into derivative contracts that were designated as cash flow hedges. The effective portion of changes in the fair value of these derivatives is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income. Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (i.e. when the forecast transaction being hedged takes place).

When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within “Other operating income / (expense)”.

The derivatives that are not designated as hedges and do not qualify for hedge accounting are classified as held-for-trading and accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the statement of comprehensive income within “Other operating (expenses)/income – net”, or in “Cost of Sales” (refer to note 21).

## **2.11 Government grants**

Investment and development grants related to Property, Plant and Equipment received by the Group are initially recorded as deferred government grants and included in “Provisions and other long term liabilities”. Subsequently, they are credited to the statement of comprehensive income over the useful lives of the related assets in direct relationship to the depreciation charged on such assets.

## **2.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of inventories is determined using the monthly weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

## **2.13 Trade receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for

impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Trade receivables include bills of exchange and promissory notes from customers.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income and is included in Selling, Distribution and Administrative expenses.

## **2.14 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments such as marketable securities and time deposits with original maturities of three months or less.

## **2.15 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

## **2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. At the end of the reporting period payable amounts of bank overdrafts are included within borrowings in current liabilities on the statement of financial position. In the statement of cash flows bank overdrafts are shown within financing activities.

## **2.17 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

## **2.18 Employee benefits**

### *(a) Pension obligations*

The Group participates in various pension schemes. The payments are determined by the local legislation and the funds' regulations. The Group has both defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly administered Social Security funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### *(b) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is *demonstrably* committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

### *(c) Share-based compensation*

The Group operates an equity-settled share-based compensation plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, at the date of granting. Non-

market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting period end, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## **2.19 Trade and other payables**

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

## **2.20 Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

## **2.21 Environmental liabilities**

Environmental expenditure that relates to current or future revenues is expensed or capitalised as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licences. In order to comply with all rules and regulations the Group has set up a monitoring mechanism in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements. The above mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

## **2.22 Revenue recognition**

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised as follows:

*(a) Sales of goods – wholesale*

Revenue on sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales of goods are recognised when the Group has delivered the products to the customer; the customer has accepted the products; and collectability of the related receivables is reasonably assured.

*(b) Sales of goods – retail*

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

*(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

*(d) Dividend income*

Dividend income is recognised when the right to receive payment is established.

## **2.23 Leases**

Leases of property plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## **2.24 Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

## **2.25 Comparative figures**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities are primarily centred around its Downstream Oil & Gas assets; secondary or new activities relate to Petrochemicals, exploration of hydrocarbons and power generation and trading. As such, the Group is exposed to a variety of financial and commodity markets risks including foreign exchange and commodity price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. In line with international best practices and within the context of local markets and legislative framework, the Group's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Group to the extent possible.

Commodity price risk management is supervised by a Risk Management Committee which includes Finance and Trading departments' Senior Management. Non commodity price risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Group's operating units.

##### *(a) Market risk*

##### *(i) Foreign exchange risk*

Foreign currency exchange risk arises on three types of exposure:

- **Financial position translation risk:** Most of the inventory held by the Group is reported in Euro while its underlying value is determined in USD. Thus, a possible devaluation of the USD against the Euro leads to a reduction in the realisable value of inventory included in the statement of financial position. In order to manage this risk, a significant part of the Group funding is denominated in USD providing an opposite effect to the one described above. It should be noted however, that while in the case of USD devaluation the impact on the statement of financial position is mitigated, in cases of USD appreciation the mark-to-market valuation of such loans leads to a reported loss under foreign exchange differences with no compensating benefit as stocks continue to be included in the statement of financial position at cost. The exposure at any point in time is clearly given by the amounts shown in the statement of financial position and the related disclosures. It is estimated, that at 31 December 2010 if the Euro had weakened against the US dollar by 5% with all other variables held constant, pre-tax profits would have been €18 million lower, as a result of foreign exchange losses on translation of receivables and payables and US dollar-denominated borrowings.
- **Gross Margin transactions and translation risk:** The fact that most of the transactions in crude oil and oil products are based on international Platt's USD prices leads to exposure in terms of the Gross Margin translated in Euro. Recent market volatility has impacted adversely on the cost of mitigating this exposure; as a result the Group did not actively hedge material amounts of the Gross margin exposure. This exposure is linearly related to the Gross margin of the Group in that the appreciation of Euro vs. USD leads to a respective translation loss on the period results.
- **Local subsidiaries exposure:** Where the Group operates in non Euro markets there is an additional exposure in terms of cross currency translation between USD (price base), Euro reporting currency and local currency. Where possible the Group seeks to manage this exposure by either transferring the exposure for pooling at Group levels or by taking protection in local currency. Although material for local subsidiaries' operations, the overall exposure is not considered material for the Group.

##### *(ii) Commodity price risk*

The Group's primary activity as a refiner creates two types of commodity price exposures; exposure to crude oil and oil products price levels which affect the value of inventory and exposure to refining margins which in turn affect the future cash flows of the business.

In the case of price risk, the level of exposure is determined by the amount of priced inventory carried at the end of the reporting period. In periods of sharp price decline, as Group policy is to report its inventory at the lower of historical cost and net realisable value, results are affected by the reduction in the carrying value of the inventory. The extent of the exposure relates directly to the level of stocks and rate of price decrease. This exposure is partly hedged with paper derivatives to the extent that the cost of such instruments is considered positive from a risk-return point of view.

Refining margin exposure relates to the absolute level of margin generated by the operation of the refineries. This is determined by Platt's prices and varies on a daily basis; as an indication of the impact to the Group financial results, a change in the refinery margins has a proportionate impact on the Group's profitability. Where possible, the Group aims to hedge 10-50% of each of the various components of its expected production. This, however, is not possible to do in all market conditions and as a result only a small part of the price risk is effectively hedged. The sensitivity of the fair value of the open derivative contracts affecting profits to an immediate 10% increase or decrease in all reference prices, would have been €1,1 million at 31 December 2010. This figure does not include any corresponding economic impact that would arise from the natural business exposure, which would be expected to largely offset the gain or loss on the derivatives.

(iii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Group to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR), has a proportionate impact on the Groups results. At 31 December 2010, if interest rates on US dollar denominated borrowings had been 0.5% higher with all other variables held constant, pre-tax profit for the year would have been €2,9 million lower. At 31 December 2010, if interest rates on Euro denominated borrowings had been 0,5% higher with all other variables held constant, post-tax profit for the year would have been Euro €7,0 million lower.

(b) Credit risk

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

The table below shows the segregation of trade receivables:

|                                   | As at            |                  |
|-----------------------------------|------------------|------------------|
|                                   | 31 December 2010 | 31 December 2009 |
| Current balance                   | 668.456          | 657.444          |
| Past due but not impaired balance | 124.352          | 232.088          |
| Impaired balance                  | 145.027          | 137.763          |
|                                   | <b>937.835</b>   | <b>1.027.295</b> |
| <b>Allowance for bad debts</b>    | <b>135.947</b>   | <b>106.918</b>   |

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

As of 31 December 2010, the ageing analysis of trade receivables that were past due but not impaired, is as follows:

|               | <b>As at</b>            |                         |
|---------------|-------------------------|-------------------------|
|               | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Up to 30 days | 54.765                  | 44.534                  |
| 30 - 90 days  | 26.095                  | 36.971                  |
| Over 90 days  | 43.492                  | 150.583                 |
| <b>Total</b>  | <b>124.352</b>          | <b>232.088</b>          |

As of 31 December 2010, the ageing analysis of trade receivables that were individually impaired is as follows:

|               | <b>As at</b>            |                         |
|---------------|-------------------------|-------------------------|
|               | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Up to 30 days | 3.774                   | 457                     |
| 30 - 90 days  | 503                     | 1.284                   |
| Over 90 days  | 140.750                 | 136.022                 |
| <b>Total</b>  | <b>145.027</b>          | <b>137.763</b>          |

The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

*(c) Liquidity risk*

Prudent liquidity risk management entails maintaining sufficient cash, the availability of funding through adequate amounts of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in its funding through the use of committed credit facilities.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                                  | <b>Less than 1<br/>year</b> | <b>Between 1<br/>and 2 years</b> | <b>Between 2<br/>and 5 years</b> | <b>Over 5<br/>years</b> |
|----------------------------------|-----------------------------|----------------------------------|----------------------------------|-------------------------|
| <b>31 December 2010</b>          |                             |                                  |                                  |                         |
| Borrowings                       | 1.297.103                   | 350.000                          | 777.878                          | -                       |
| Derivative financial instruments | 24.003                      | 33.952                           | 32.344                           | -                       |
| Trade and other payables         | 1.448.709                   | -                                | -                                | -                       |
| <b>31 December 2009</b>          |                             |                                  |                                  |                         |
| Borrowings                       | 1.304.843                   | 11.602                           | 596.203                          | -                       |
| Derivative financial instruments | 26.536                      | 12.430                           | 24.823                           | -                       |
| Trade and other payables         | 1.007.316                   | -                                | -                                | -                       |

### **3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including “current and non-current borrowings” as shown in the statement of financial position) less “Cash & cash equivalents”, “Available for Sale financial assets” and “Held-to-maturity securities”. Total capital employed is calculated as “Total Equity” as shown in the statement of financial position plus net debt.

During 2010 the Group strategy which was unchanged from 2009, was to maintain the gearing ratio between 20% - 45%.

The gearing ratios at 31 December 2010 and 2009 were as follows:

|   | <b>As at</b>            |                         |
|---|-------------------------|-------------------------|
|   | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Total Borrowings (Note 17)                  | 2.424.981               | 1.912.648               |
| Less: Cash & Cash Equivalents (Note 13)     | (595.757)               | (491.196)               |
| Less: Available for sale financial assets   | (2.078)                 | (2.716)                 |
| Less: Held-to-maturity securities (Note 12) | (167.968)               | -                       |
| <b>Net debt</b>                             | <b>1.659.178</b>        | <b>1.418.737</b>        |
| Total Equity                                | 2.531.618               | 2.508.540               |
| <b>Total Capital Employed</b>               | <b>4.190.796</b>        | <b>3.927.277</b>        |
| Gearing ratio                               | 40%                     | 36%                     |

The increase in the gearing ratio resulted from funding requirements of the Group’s Refineries’ Upgrade projects in Elefsina and Thessaloniki.

### **3.3 Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010:

|                              | Level 1  | Level 2       | Level 3  | Total balance |
|------------------------------|----------|---------------|----------|---------------|
| <b>Assets</b>                |          |               |          |               |
| Derivatives held for trading | -        | 12.715        | -        | 12.715        |
| Derivatives used for hedging | -        | -             | -        | -             |
|                              | <b>-</b> | <b>12.715</b> | <b>-</b> | <b>12.715</b> |
| <b>Liabilities</b>           |          |               |          |               |
| Derivatives held for trading | -        | 21.137        | -        | 21.137        |
| Derivatives used for hedging | -        | 69.162        | -        | 69.162        |
|                              | <b>-</b> | <b>90.299</b> | <b>-</b> | <b>90.299</b> |

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- The fair value of commodity swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

#### **4 Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.



Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*(a) Income taxes*

Estimates are required in determining the provision for income taxes that the Group is subjected to in different jurisdictions. This requires significant judgement. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*(b) Provision for environmental restoration*

The Group operates in the oil industry with its principal activities being that of exploration and production of hydrocarbons, refining of crude oil and sale of oil products, and the production and trading of petrochemical products. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognised provisions, the Group's statement of comprehensive income is impacted.

*(c) Estimated impairment of goodwill and non-financial assets*

The Group tests annually whether goodwill and non-financial assets have suffered any impairment, in accordance with its accounting policies (see Note 2.8). The recoverable amounts of cash generating units are determined based on value-in-use calculations. Significant judgement is involved in management's determination of these estimates.

*(d) Fair value of derivatives and other financial instruments*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

*(e) Held-to-maturity investments*

The group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would, therefore, be measured at fair value not amortised cost.

*(f) Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost / (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-

quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 19.

*(g) Provisions for legal claims*

The Group has a number of legal claims pending against it. Management assesses the likely outcome of these claims and if it is more likely than not that the Group will lose a claim, then a provision is made. Provisions for legal claims, if required, are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. This requires judgement.

## 5 Segment information

Management has determined the operating segments based on the reports reviewed by the executive committee, that reviews the Group's internal reporting in order to assess performance and allocate resources. The committee considers the business from a number of measures which may vary depending on the nature and evolution of a business segment by taking into account the risk profile, cash flow, product and market considerations.

The Group is organised into five main business segments determined in accordance with the type of business activity: Refining, Marketing, Exploration & Production, Petrochemicals, and Gas & Power.

Information on the Group's operating segments is as follows:

|   | Refining       | Marketing     | Exploration<br>& Production | Petro-<br>chemicals | Gas &<br>Power | Other          | Inter-Segment | Total          |
|---|----------------|---------------|-----------------------------|---------------------|----------------|----------------|---------------|----------------|
| <b>Year ended 31 December 2010</b>  |                |               |                             |                     |                |                |               |                |
| Sales   | 7.832.281      | 3.507.741     | 726                         | 377.056             | 843            | 21.921         | (3.263.763)   | 8.476.805      |
| Other operating income / (expense) - net  | 136            | 28.888        | -                           | 3.497               | -              | 1.125          | 1.660         | 35.306         |
| <b>Operating profit / (loss)</b>  | <b>297.851</b> | <b>42.138</b> | <b>(25.156)</b>             | <b>33.415</b>       | <b>273</b>     | <b>(4.875)</b> | <b>267</b>    | <b>343.913</b> |
| Currency exchange gains/ (losses)   | (11.257)       | (4.694)       | -                           | -                   | -              | 158            | -             | (15.793)       |
| <b>Profit before tax, share of net result of associates &amp; finance costs</b> | <b>286.594</b> | <b>37.443</b> | <b>(25.156)</b>             | <b>33.415</b>       | <b>273</b>     | <b>(4.717)</b> | <b>267</b>    | <b>328.120</b> |
| Share of net result of associates and dividend income                           | -              | -             | -                           | -                   | -              | -              | 30.027        | 30.027         |
| <b>Profit after associates</b>  | <b>286.594</b> | <b>37.443</b> | <b>(25.156)</b>             | <b>33.415</b>       | <b>273</b>     | <b>(4.717)</b> | <b>30.294</b> | <b>358.147</b> |
| Finance (expense)/income - net  |                |               |                             |                     |                |                |               | (59.434)       |
| <b>Profit before income tax</b>   |                |               |                             |                     |                |                |               | <b>298.713</b> |
| Income tax expense  |                |               |                             |                     |                |                |               | (111.294)      |
| Income applicable to non-controlling interests                                  |                |               |                             |                     |                |                |               | (7.601)        |
| <b>Profit for the year attributable to the owners of the parent</b>             |                |               |                             |                     |                |                |               | <b>179.818</b> |

- Inter-segment sales primarily relate to sales from the refining segment to the other operating segments.
- Net operating profits of the petrochemicals segment during the year resulted from internationally improved margins for polypropylene.

## 5 Segment information (continued)

|   | Refining       | Marketing & Production | Exploration     | Petro-chemicals | Gas & Power   | Other          | Inter-Segment | Total          |
|---|----------------|------------------------|-----------------|-----------------|---------------|----------------|---------------|----------------|
| <b>Year ended 31 December 2009</b>  |                |                        |                 |                 |               |                |               |                |
| Sales   | 5.927.787      | 2.339.452              | 255             | 256.160         | -             | 20.543         | (1.787.531)   | 6.756.666      |
| Other operating income / (expense) - net  | (15.099)       | (5.489)                | -               | 3.343           | -             | (676)          | -             | (17.921)       |
| <b>Operating profit / (loss)</b>  | <b>258.567</b> | <b>29.981</b>          | <b>(26.687)</b> | <b>3.256</b>    | <b>(11)</b>   | <b>(3.879)</b> | <b>-</b>      | <b>261.227</b> |
| Currency exchange gains/ (losses)   | (2.528)        | (1.166)                | -               | -               | -             | (20)           | --            | (3.714)        |
| <b>Profit before tax, share of net result of associates &amp; finance costs</b> | <b>256.039</b> | <b>28.815</b>          | <b>(26.687)</b> | <b>3.256</b>    | <b>(11)</b>   | <b>(3.899)</b> | <b>-</b>      | <b>257.513</b> |
| Share of net result of associates and dividend income                           | 1.026          | -                      | -               | (1.658)         | 19.050        | -              | -             | 18.418         |
| <b>Profit after associates</b>  | <b>257.065</b> | <b>28.815</b>          | <b>(26.687)</b> | <b>1.598</b>    | <b>19.039</b> | <b>(3.899)</b> | <b>--</b>     | <b>275.931</b> |
| Finance (expense)/income - net  |                |                        |                 |                 |               |                |               | (33.517)       |
| <b>Profit before income tax</b>   |                |                        |                 |                 |               |                |               | <b>242.414</b> |
| Income tax expense  |                |                        |                 |                 |               |                |               | (66.152)       |
| Income applicable to non-controlling interests                                  |                |                        |                 |                 |               |                |               | (1.372)        |
| <b>Profit for the year attributable to the owners of the parent</b>             |                |                        |                 |                 |               |                |               | <b>174.890</b> |

## 5 Segment information (continued)

The segment assets and liabilities at 31 December 2010 are as follows:

|                             | Refining  | Marketing & Production | Exploration | Petro-chemicals | Gas & Power | Other     | Inter-Segment | Total     |
|-----------------------------|-----------|------------------------|-------------|-----------------|-------------|-----------|---------------|-----------|
| Total assets                | 4.729.818 | 1.631.413              | 3.502       | 284.585         | 548.119     | 1.795.836 | (2.131.301)   | 6.861.972 |
| Investments in associates   | 9.392     | 790                    | -           | 3.508           | 547.093     | -         | -             | 560.783   |
| Total liabilities           | 2.555.377 | 912.928                | 638         | 194.783         | (1)         | 1.627.664 | (961.035)     | 4.330.354 |
| Net assets                  | 2.174.441 | 718.484                | 2.864       | 89.802          | 548.120     | 168.172   | (1.170.265)   | 2.531.618 |
| Capital expenditure         | 675.138   | 28.044                 | -           | 6.035           | -           | 121       | -             | 709.338   |
| Depreciation & Amortisation | 74.619    | 64.099                 | 682         | 16.938          | -           | 456       | -             | 156.794   |

The segment assets and liabilities at 31 December 2009 are as follows:

|                             | Refining  | Marketing & Production | Exploration | Petro-chemicals | Gas & Power | Other     | Inter-Segment | Total     |
|-----------------------------|-----------|------------------------|-------------|-----------------|-------------|-----------|---------------|-----------|
| Total assets                | 3.773.547 | 1.577.284              | 2.741       | 249.086         | 503.785     | 1.701.110 | (2.044.329)   | 5.763.225 |
| Investments in associates   | 9.128     | 205                    | -           | 4.934           | 503.111     | -         | -             | 517.378   |
| Total liabilities           | 1.660.939 | 810.584                | -           | 177.309         | -           | 1.474.075 | (868.223)     | 3.254.685 |
| Net assets                  | 2.112.608 | 766.700                | 2.741       | 71.777          | 503.785     | 227.035   | (1.176.105)   | 2.508.540 |
| Capital expenditure         | 535.401   | 76.462                 | -           | 1.942           | -           | 139       | -             | 613.944   |
| Depreciation & Amortisation | 68.450    | 39.119                 | 3.849       | 16.996          | -           | 449       | -             | 128.863   |

## 6 Property, plant and equipment

|  | Land           | Buildings      | Plant & Machinery | Motor vehicles | Furniture and fixtures | Assets Under Construction | Total            |
|--|----------------|----------------|-------------------|----------------|------------------------|---------------------------|------------------|
| <b>Cost</b>                                |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2009</b>                | <b>226.613</b> | <b>450.149</b> | <b>1.770.360</b>  | <b>41.505</b>  | <b>90.251</b>          | <b>359.316</b>            | <b>2.938.194</b> |
| Additions                                  | 6.933          | 7.779          | 11.320            | 30.413         | 6.462                  | 545.930                   | 608.837          |
| Acquisition of BP Hellas                   | 43.126         | 51.292         | 179.706           | 3.768          | 21.679                 | 2.160                     | 301.731          |
| Capitalised projects                       | -              | 27.939         | 142.425           | 116            | 761                    | (171.241)                 | -                |
| Disposals                                  | (303)          | (419)          | (7.241)           | (352)          | (928)                  | (594)                     | (9.837)          |
| Currency translation effects               | (1.048)        | (3.644)        | (904)             | (16)           | (134)                  | (231)                     | (5.977)          |
| Transfers and other movements              | 66             | 3.146          | 4.618             | 906            | (1.768)                | (12.852)                  | (5.884)          |
| <b>As at 31 December 2009</b>              | <b>275.387</b> | <b>536.242</b> | <b>2.100.284</b>  | <b>76.340</b>  | <b>116.323</b>         | <b>722.488</b>            | <b>3.827.064</b> |
| <b>Accumulated Depreciation</b>            |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2009</b>                | -              | <b>216.249</b> | <b>1.186.792</b>  | <b>27.903</b>  | <b>67.331</b>          | -                         | <b>1.498.275</b> |
| Charge for the year                        | -              | 19.920         | 82.542            | 3.251          | 7.408                  | -                         | 113.121          |
| Acquisition of BP Hellas                   | -              | 30.491         | 57.765            | 2.372          | 17.857                 | -                         | 108.485          |
| Disposals                                  | -              | (5)            | (5.867)           | (327)          | (888)                  | -                         | (7.087)          |
| Currency translation effects               | -              | (326)          | (293)             | (5)            | 135                    | -                         | (489)            |
| Transfers and other movements              | -              | 1.024          | 375               | (6)            | (1.393)                | -                         | -                |
| <b>As at 31 December 2009</b>              | -              | <b>267.353</b> | <b>1.321.314</b>  | <b>33.188</b>  | <b>90.450</b>          | -                         | <b>1.712.305</b> |
| <b>Net Book Value at 31 December 2009</b>  | <b>275.387</b> | <b>268.889</b> | <b>778.970</b>    | <b>43.152</b>  | <b>25.873</b>          | <b>722.488</b>            | <b>2.114.759</b> |
| <b>Cost</b>                                |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2010</b>                | <b>275.387</b> | <b>536.242</b> | <b>2.100.284</b>  | <b>76.340</b>  | <b>116.323</b>         | <b>722.488</b>            | <b>3.827.064</b> |
| Additions                                  | 636            | 2.768          | 8.620             | 1.060          | 6.430                  | 688.794                   | 708.308          |
| Finalisation of PPA of BP Hellas (Note 34) | -              | (2.001)        | -                 | -              | -                      | -                         | (2.001)          |
| Capitalised projects                       | 251            | 17.558         | 48.678            | 4.779          | 6.914                  | (78.180)                  | -                |
| Disposals                                  | -              | (7.093)        | (12.844)          | (197)          | (1.777)                | (6.849)                   | (28.760)         |
| Currency translation effects               | (947)          | (3.715)        | (1.146)           | (2)            | (29)                   | (305)                     | (6.144)          |
| Transfers and other movements              | 144            | 3.582          | (2.307)           | 110            | 32                     | (5.904)                   | (4.343)          |
| <b>As at 31 December 2010</b>              | <b>275.471</b> | <b>547.341</b> | <b>2.141.285</b>  | <b>82.090</b>  | <b>127.893</b>         | <b>1.320.044</b>          | <b>4.494.124</b> |
| <b>Accumulated Depreciation</b>            |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2010</b>                | -              | <b>267.353</b> | <b>1.321.314</b>  | <b>33.188</b>  | <b>90.450</b>          | -                         | <b>1.712.305</b> |
| Charge for the year                        | -              | 22.587         | 97.592            | 4.622          | 10.470                 | -                         | 135.271          |
| Disposals                                  | -              | (6.828)        | (11.369)          | (173)          | (1.697)                | -                         | (20.067)         |
| Currency translation effects               | -              | (665)          | (692)             | (48)           | 27                     | -                         | (1.378)          |
| Transfers and other movements              | -              | (59)           | (391)             | 55             | (107)                  | -                         | (502)            |
| <b>As at 31 December 2010</b>              | -              | <b>282.388</b> | <b>1.406.454</b>  | <b>37.644</b>  | <b>99.143</b>          | -                         | <b>1.825.629</b> |
| <b>Net Book Value at 31 December 2010</b>  | <b>275.471</b> | <b>264.953</b> | <b>734.831</b>    | <b>44.446</b>  | <b>28.750</b>          | <b>1.320.044</b>          | <b>2.668.495</b> |

- (1) The Group has not pledged any property, plant and equipment as security for borrowings.
- (2) Within the balance of Assets under construction at 31 December 2010 an amount of €836 million (2009: €256 million) relates to costs in respect of the construction phase of the Elefsina refinery upgrade. The project is expected to be completed by the end of 2011. Any potential delays during the construction phase will have equivalent effects on the project completion date.
- (3) During 2010 an amount of €21,8 million (2009: €2,9 million) in respect of interest has been capitalized in relation to Assets Under Construction relating to the refining segment, at an average borrowing rate of 2,8% (2009: 2%). An additional of 0,8 million (2009: €2,0 million) in respect of interest has been capitalized in relation to retail petrol stations, included in Plant & Machinery.

## 7 Intangible assets

|  | Goodwill       | Computer software | Licences & Rights | Other          | Total          |
|--|----------------|-------------------|-------------------|----------------|----------------|
| <b><u>Cost</u></b>                             |                |                   |                   |                |                |
| <b>As at 1 January 2009</b>                    | <b>138.666</b> | <b>63.304</b>     | <b>29.464</b>     | <b>41.409</b>  | <b>272.843</b> |
| Additions                                      | 3.747          | 991               | -                 | 369            | 5.107          |
| Acquisition of BP Hellas                       | -              | 603               | -                 | 61.600         | 62.203         |
| Disposals                                      | -              | (9)               | -                 | -              | (9)            |
| Currency translation effects                   | -              | (30)              | -                 | 733            | 703            |
| Other movements                                | (3.408)        | 3.079             | 2.967             | (399)          | 2.239          |
| <b>As at 31 December 2009</b>                  | <b>139.005</b> | <b>67.938</b>     | <b>32.431</b>     | <b>103.712</b> | <b>343.086</b> |
| <b><u>Accumulated Amortisation</u></b>         |                |                   |                   |                |                |
| <b>As at 1 January 2009</b>                    | <b>71.829</b>  | <b>55.589</b>     | <b>10.196</b>     | <b>5.838</b>   | <b>143.452</b> |
| Charge for the year                            | -              | 7.629             | 5.041             | 3.072          | 15.742         |
| Acquisition of BP Hellas                       | -              | 263               | -                 | -              | 263            |
| Disposals                                      | -              | (5)               | -                 | -              | (5)            |
| Currency translation effects                   | -              | (10)              | -                 | -              | (10)           |
| Other movements                                | -              | -                 | -                 | (405)          | (405)          |
| <b>As at 31 December 2009</b>                  | <b>71.829</b>  | <b>63.466</b>     | <b>15.237</b>     | <b>8.505</b>   | <b>159.037</b> |
| <b>Net Book Value at 31 December 2009</b>      | <b>67.176</b>  | <b>4.472</b>      | <b>17.194</b>     | <b>95.207</b>  | <b>184.049</b> |
| <b><u>Cost</u></b>                             |                |                   |                   |                |                |
| <b>As at 1 January 2010</b>                    | <b>139.005</b> | <b>67.938</b>     | <b>32.431</b>     | <b>103.712</b> | <b>343.086</b> |
| Additions                                      | -              | 930               | -                 | 100            | 1.030          |
| Write offs fully depreciated                   | -              | -                 | -                 | (4.611)        | (4.611)        |
| Finalisation of PPA of BP Hellas (Note 34)     | -              | -                 | -                 | (4.044)        | (4.044)        |
| Disposals                                      | -              | (3)               | -                 | -              | (3)            |
| Currency translation effects & other movements | -              | 3.139             | 105               | 2.398          | 5.642          |
| <b>As at 31 December 2010</b>                  | <b>139.005</b> | <b>72.004</b>     | <b>32.536</b>     | <b>97.555</b>  | <b>341.100</b> |
| <b><u>Accumulated Amortisation</u></b>         |                |                   |                   |                |                |
| <b>As at 1 January 2010</b>                    | <b>71.829</b>  | <b>63.466</b>     | <b>15.237</b>     | <b>8.505</b>   | <b>159.037</b> |
| Charge for the year                            | -              | 3.854             | 2.128             | 15.541         | 21.523         |
| Write offs fully depreciated                   | -              | -                 | -                 | (4.611)        | (4.611)        |
| Disposals                                      | -              | (3)               | -                 | -              | (3)            |
| Currency translation effects & other movements | -              | (580)             | 2                 | 584            | 6              |
| <b>As at 31 December 2010</b>                  | <b>71.829</b>  | <b>66.737</b>     | <b>17.367</b>     | <b>20.019</b>  | <b>175.952</b> |
| <b>Net Book Value at 31 December 2010</b>      | <b>67.176</b>  | <b>5.267</b>      | <b>15.169</b>     | <b>77.536</b>  | <b>165.148</b> |

- (1) The majority of the remaining amount of goodwill as at 31 December 2010 relates to the unamortised goodwill arising on the acquisition of Hellenic Petroleum Cyprus Ltd from BP plc in 2003 which is treated in line with the accounting policy in note 2.6. This has been tested for impairment as at 31 December 2010 and no such issue has been identified as the significant assumptions affecting the value of the company (price, margins, and volumes) remain unchanged.
- (2) Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant licences. Details of the accounting policy are given in note 2.6.
- (3) Other intangible assets category includes rights of use of land in Serbia where under local statutory law, certain plots of land belong to the user under a right of use. Also included are amounts paid to the government for use of land in Montenegro where the company holds title. Furthermore, included therein is the fair value of the contractual customer relationships from the subsidiary acquired in December 2009 (see Note 34).

## 8 Investments in associates and joint ventures

|                                     | As at            |                  |
|-------------------------------------|------------------|------------------|
|                                     | 31 December 2010 | 31 December 2009 |
| <b>Beginning of the Year</b>        | <b>517.378</b>   | <b>508.219</b>   |
| Dividends received                  | (4.211)          | (10.670)         |
| Share of results of associates      | 30.027           | 18.418           |
| Share capital increase / (decrease) | 17.589           | 1.411            |
| <b>End of the year</b>              | <b>560.783</b>   | <b>517.378</b>   |

The Group participates in a number of other entities with significant influence but not a controlling shareholding. These investments are accounted for in the Group accounts under the equity method.

Investment in associates for 2010 also reflect the Group 's share in the increase of the ordinary share capital of Elpedison BV.

The table below summarises the income / (loss) from the main investments in associates:

|   | For the year ended |                  |
|---|--------------------|------------------|
|   | 31 December 2010   | 31 December 2009 |
| Public Natural Gas Corporation of Greece (DEPA) | 31.778             | 21.243           |
| ELPEDISON B.V.                                  | (1.330)            | (2.193)          |
| Artenius Hellas S.A.                            | (1.426)            | (1.658)          |
| Other associates and dividend income            | 1.005              | 1.026            |
| <b>Total</b>                                    | <b>30.027</b>      | <b>18.418</b>    |

The main financial information of major associated companies is listed below:

|           | % interest held | As at            |             |           |
|-----------|-----------------|------------------|-------------|-----------|
|           |                 | 31 December 2010 |             |           |
|           |                 | Assets           | Liabilities | Revenues  |
| DEPA      | 35%             | 2.743.944        | 1.412.111   | 1.216.957 |
| ELPEDISON | 50%             | 567.317          | 422.744     | 156.443   |
| ARTENIUS  | 35%             | 51.476           | 35.931      | 84.552    |
| EAKAA     | 50%             | 19.726           | 10.929      | 3.484     |

  

|           | % interest held | As at            |             |          |
|-----------|-----------------|------------------|-------------|----------|
|           |                 | 31 December 2009 |             |          |
|           |                 | Assets           | Liabilities | Revenues |
| DEPA      | 35%             | 2.552.598        | 1.300.525   | 976.843  |
| ELPEDISON | 50%             | 501.117          | 410.427     | 33.452   |
| ARTENIUS  | 35%             | 53.897           | 34.405      | 65.272   |
| EAKAA     | 50%             | 20.792           | 12.085      | 3.912    |



## 9 Loans, Advances & Long Term assets

|                        | As at            |                  |
|------------------------|------------------|------------------|
|                        | 31 December 2010 | 31 December 2009 |
| Loans and advances     | 18.850           | 21.421           |
| Other long term assets | 104.604          | 118.151          |
| <b>Total</b>           | <b>123.454</b>   | <b>139.572</b>   |

Loans and advances relate primarily to merchandise credit extended to third parties as part of the retail network expansion and is non interest bearing.

Other long term assets primarily include payments made to secure long term retail network locations and other prepayments of long term nature, which are non-interest bearing. These are amortised over the remaining life of the relating contracts of the petrol stations and are discounted using a rate of 5% for 2010 (2009: 5%).

## 10 Inventories

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Crude oil   | 706.237          | 563.728          |
| Refined products and semi-finished products       | 791.958          | 713.026          |
| Petrochemicals                                    | 34.598           | 28.847           |
| Consumable materials and other spare parts        | 81.308           | 80.662           |
| - Less: Provision for consumables and spare parts | (13.476)         | (12.311)         |
| <b>Total</b>                                      | <b>1.600.625</b> | <b>1.373.953</b> |

The cost of goods sold included in "Cost of sales" for 2010 is equal to €7,0 billion (2009: €5,4 billion).

## 11 Trade and other receivables

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Trade receivables                               | 668.456          | 657.444          |
| - Less: Provision for impairment of receivables | (135.947)        | (106.918)        |
| <b>Trade receivables net</b>                    | <b>532.509</b>   | <b>550.526</b>   |
| Other receivables                               | 389.542          | 360.347          |
| - Less: Provision for impairment of receivables | (27.994)         | (19.217)         |
| <b>Other receivables net</b>                    | <b>361.548</b>   | <b>341.130</b>   |
| Derivatives held for trading (Note 21)          | 12.715           | -                |
| Deferred charges and prepayments                | 32.065           | 24.027           |
| <b>Total</b>                                    | <b>938.837</b>   | <b>915.683</b>   |

Other receivables include balances in respect of VAT, income tax prepayment and advances to personnel.

The fair values of receivables approximate their carrying amount.

The movement in the provision for impairment of trade receivables is set out below.

|  | <b>As at</b>            |                         |
|--|-------------------------|-------------------------|
|  | <b>31 December 2010</b> | <b>31 December 2009</b> |
| <b>Balance at 1 January</b>                              | 106.918                 | 95.233                  |
| Charged / (credited) to the income statement:            |                         |                         |
| - Additional provisions                                  | 25.633                  | 19.447                  |
| - Unused amounts reversed                                | (1.415)                 | (660)                   |
| Receivables written off during the year as uncollectible | (1.388)                 | (17.840)                |
| Other movements  | (1.452)                 | -                       |
| Acquisition of subsidiary (Note 34)                      | 7.651                   | 10.738                  |
| <b>Balance at 31 December</b>                            | <b>135.947</b>          | <b>106.918</b>          |

The movement in the provision for impairment has been included in Selling, Distribution and Administration costs in the statement of comprehensive income.

## 12 Held-to-maturity investments

|                              | <b>As at</b>            |                         |
|------------------------------|-------------------------|-------------------------|
|                              | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Held-to-maturity investments | 167.968                 | -                       |
| <b>Total</b>                 | <b>167.968</b>          | <b>-</b>                |

Held-to-maturity investments are short-term government bonds issued on the 30<sup>th</sup> December 2010 by Ministry of Finance to repay trade receivables. Their carrying amount approximates their fair value.

## 13 Cash and cash equivalents

|                          | <b>As at</b>            |                         |
|--------------------------|-------------------------|-------------------------|
|                          | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Cash at Bank and in Hand | 396.709                 | 312.607                 |
| Short term bank deposits | 199.048                 | 178.589                 |
| <b>Total</b>             | <b>595.757</b>          | <b>491.196</b>          |

The weighted average effective interest rate as at the reporting date on cash and cash equivalents was:

|      | <b>As at</b>            |                         |
|------|-------------------------|-------------------------|
|      | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Euro | 3,39%                   | 2,14%                   |
| USD  | 0,32%                   | 0,50%                   |

## 14 Share capital

|  | <b>Number of<br/>Shares<br/>(authorised<br/>and issued)</b> | <b>Share<br/>Capital</b> | <b>Share<br/>premium</b> | <b>Total</b>     |
|--|---|--------------------------|--------------------------|------------------|
| <b>As at 1 January 2009 &amp; 31 December 2009</b> | <b>305.635.185</b>  | <b>666.285</b>           | <b>353.796</b>           | <b>1.020.081</b> |
| <b>As at 31 December 2010</b>                      | <b>305.635.185</b>  | <b>666.285</b>           | <b>353.796</b>           | <b>1.020.081</b> |

All ordinary shares were authorised, issued and fully paid. The nominal value of each ordinary share is €2,18 (31 December 2009: €2,18).

### *Share options*

During the AGM of Hellenic Petroleum S.A. held on 25 May 2005, a new share option scheme was approved, based on years 2005 – 2007, with the intention to link the number of share options granted to employees with the results and performance of the Company and its management. The AGM of Hellenic Petroleum S.A. of 31 May 2006 has approved and granted stock options for the year 2005 of 272.100 shares. The AGM of 17 May 2007 has approved and granted stock options for the year 2006 of 408.015 shares. The AGM of 14 May 2008 has approved and granted stock options for the year 2007 of 385.236 shares and extended the scheme for an additional base year, namely 2008. The AGM of 3 June 2009 has approved and granted stock options for the year 2008 of 1.704.716 shares and extended the scheme for 2009. The vesting period is 1 November to 5 December of the years 2008 – 2012, 2009 – 2013, 2010 – 2014 and 2011 – 2015 for each of the base years 2005, 2006, 2007 and 2008 respectively.

Following the Board Decision of 27 April 2010, the AGM of Hellenic Petroleum held on 2 June 2010 approved the non – granting of any stock options for the year 2009, as a result of the adverse macroeconomic environment and extended the scheme for an additional base year, 2010, for which the vesting period will commence in 2012. The total number of stock options approved during the original AGM of 25 May 2005 has not been altered by the subsequent extensions to the scheme.

As at 31 December 2010 only the stock options granted in 2006, 2007 and 2008 were exercisable. No stock options have been exercised during 2010, or during the previous year, due to the negative relationship between the exercise price and the share market price during the respective vesting periods (1 November to 5 December).

The movement in share options during the year were:

|                       | <b>As at</b>                                   |                  |  |                  |
|-----------------------|--|------------------|--|------------------|
|                       | <b>31 December 2010</b>                        |                  | <b>31 December 2009</b>                        |                  |
|                       | Average<br>Exercise<br>Price in €<br>per share | Options          | Average<br>Exercise<br>Price in €<br>per share | Options          |
| <b>At 1 January</b>   | <b>8,77</b>                                    | <b>2.770.067</b> | <b>10,63</b>                                   | <b>1.065.351</b> |
| Granted               | -  | -                | 7,62   | 1.704.716        |
| Exercised             | -  | -                | -  | -                |
| Lapsed                | 10,89  | (49.117)         | -  | -                |
| <b>At 31 December</b> | <b>8,74</b>                                    | <b>2.720.950</b> | <b>8,77</b>                                    | <b>2.770.067</b> |

Share options outstanding at the year end have the following expiry date and exercise prices:

| Expiry Date     | Exercise Price<br>in € per share | No. of share options as at |                  |
|-----------------|----------------------------------|----------------------------|------------------|
|                 |                                  | 31 December 2010           | 31 December 2009 |
| 5 December 2012 | 9,69                             | 268.658                    | 272.100          |
| 5 December 2013 | 10,88                            | 397.815                    | 408.015          |
| 5 December 2014 | 11,01                            | 349.761                    | 385.236          |
| 5 December 2015 | 7,62                             | 1.704.716                  | 1.704.716        |
| <b>Total</b>    |                                  | <b>2.720.950</b>           | <b>2.770.067</b> |

The average remaining contractual life of stock options outstanding at 31 December 2010 and 2009 was 4,3 and 4,9 years respectively.

The total expense recognised in the statement of comprehensive income for share based compensation is €1.352 (2009: €1.166).

## 15 Reserves

|   | Statutory<br>reserve | Special<br>reserves | Hedging<br>reserve | Share-based<br>payment<br>reserve | Tax<br>reserves | Other<br>reserves | Total          |
|---|----------------------|---------------------|--------------------|-----------------------------------|-----------------|-------------------|----------------|
| <b>Balance at 1 January 2009</b>                          | <b>97.829</b>        | <b>98.420</b>       | <b>(36.479)</b>    | -                                 | <b>341.562</b>  | <b>(4.531)</b>    | <b>496.801</b> |
| Fair value gains / (losses) on cash flow hedges (Note 21) | -                    | -                   | 7.425              | -                                 | -               | -                 | 7.425          |
| Share-based payments (Note 14)                            | -                    | -                   | -                  | 1.166                             | -               | -                 | 1.166          |
| Transfers from retained earnings ( Law 3299/04)           | -                    | -                   | -                  | -                                 | 1.147           | -                 | 1.147          |
| Transfer to statutory reserves                            | 2.835                | -                   | -                  | -                                 | -               | -                 | 2.835          |
| Fair value losses on available-for-sale financial assets  | -                    | -                   | -                  | -                                 | -               | (108)             | (108)          |
| Translation exchange differences                          | -                    | -                   | -                  | -                                 | -               | (3.427)           | (3.427)        |
| <b>Balance at 31 December 2009</b>                        | <b>100.664</b>       | <b>98.420</b>       | <b>(29.054)</b>    | <b>1.166</b>                      | <b>342.709</b>  | <b>(8.066)</b>    | <b>505.839</b> |
| Cash flow hedges (Note 21):                               | -                    | -                   | -                  | -                                 | -               | -                 | -              |
| - Fair value gains / (losses) on cash flow hedges         | -                    | -                   | (34.759)           | -                                 | -               | -                 | (34.759)       |
| - De-recognition of 2011 hedges                           | -                    | -                   | 9.571              | -                                 | -               | -                 | 9.571          |
| Share-based payments (Note 14)                            | -                    | -                   | -                  | 1.352                             | -               | -                 | 1.352          |
| Transfers from retained earnings ( Law 3299/04)           | -                    | -                   | -                  | -                                 | 8.613           | -                 | 8.613          |
| Transfer to statutory reserves                            | 8.306                | -                   | -                  | -                                 | -               | -                 | 8.306          |
| Fair value gains on available-for-sale financial assets   | -                    | -                   | -                  | -                                 | -               | 44                | 44             |
| Translation exchange differences                          | -                    | -                   | -                  | -                                 | -               | 1.100             | 1.100          |
| <b>Balance at 31 December 2010</b>                        | <b>108.970</b>       | <b>98.420</b>       | <b>(54.242)</b>    | <b>2.518</b>                      | <b>351.322</b>  | <b>(6.922)</b>    | <b>500.066</b> |

The year end hedging reserve is shown net of tax of €6.723 (2009: €2.136) – refer to Note 28.

### Statutory reserves

Under Greek law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a statutory reserve until such reserve equals one third of outstanding share capital. This reserve cannot be distributed during the existence of the corporation, but can be used to offset accumulated losses.

### Special reserves

Special reserves primarily relate to reserves arising from tax revaluations which have been included in the holding company accounts in accordance with the relevant legislation in prior years. Where considered appropriate deferred tax provisions are booked in respect of these reserves.

### Tax free reserves

Tax free reserves include:

- (i) Tax deferred reserves are retained earnings which have not been taxed with the prevailing corporate income tax rate as allowed by Greek law under various statutes. Certain of these retained earnings will become liable to tax at the rate prevailing at the time of distribution to shareholders or conversion to share capital. Distributions to shareholders and conversions to share capital are not normally anticipated to be made through these reserves.
- (ii) Partially taxed reserves are retained earnings, which have been taxed at a rate less than the corporate tax rate as allowed by Greek law. Certain of these retained earnings will be subject to the remaining tax up to the corporate tax rate prevailing at the time of distribution to shareholders or conversion to share capital.

**Components of other comprehensive income:**

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Available-for-sale financial assets:                              |                  |                  |
| Gains / (Losses) arising during the year                          | 44               | (201)            |
|   | <b>44</b>        | <b>(201)</b>     |
| Cash flow hedges:   |                  |                  |
| (Losses) / Gains arising during the year (Note 21)                | (25.188)         | 7.425            |
|   | <b>(25.188)</b>  | <b>7.425</b>     |
| Currency translation differences on consolidation of subsidiaries | 639              | (4.852)          |
| Other comprehensive income for the period, net of tax             | <b>(24.505)</b>  | <b>2.372</b>     |

## 16 Trade and other payables

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| Trade payables                         | 1.358.885        | 888.003          |
| Accrued Expenses                       | 18.520           | 26.373           |
| Derivatives held for trading (Note 21) | 24.003           | 26.536           |
| Other payables                         | 71.304           | 92.940           |
| <b>Total</b>                           | <b>1.472.712</b> | <b>1.033.852</b> |

Other payables include amounts in respect of payroll and other staff related costs, social security obligations and sundry taxes.

## 17 Borrowings

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| <b>Non-current borrowings</b>                |                  |                  |
| Bank borrowings                              | 1.127.878        | 607.805          |
| <b>Total non-current borrowings</b>          | <b>1.127.878</b> | <b>607.805</b>   |
| <b>Current borrowings</b>                    |                  |                  |
| Short term bank borrowings                   | 1.297.103        | 1.224.235        |
| Current portion of long-term bank borrowings | -                | 80.609           |
| <b>Total current borrowings</b>              | <b>1.297.103</b> | <b>1.304.843</b> |
| <b>Total borrowings</b>                      | <b>2.424.981</b> | <b>1.912.648</b> |

The maturity of non-current borrowings is the following:

|                       | <b>As at</b>            |                         |
|-----------------------|-------------------------|-------------------------|
|                       | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Between 1 and 2 years | 350.000                 | 11.602                  |
| Between 2 and 5 years | 777.878                 | 596.203                 |
|                       | <b>1.127.878</b>        | <b>607.805</b>          |

The weighted average effective interest margins as at the reporting date were as follows:

|                              |          | <b>As at</b>            |            |
|------------------------------|----------|-------------------------|------------|
|                              |          | <b>31 December 2010</b> |            |
|                              | <b>€</b> | <b>US\$</b>             | <b>RSD</b> |
| Bank Borrowings (short-term) |          |                         |            |
| - Floating Euribor + margin  | 4,71%    | -                       | -          |
| - Floating Libor + margin    | -        | 0,86%                   | -          |
| Bank Borrowings (long-term)  |          |                         |            |
| - Floating Euribor + margin  | 1,87%    | -                       | -          |
| - Floating Libor + margin    | -        | 0,61%                   | -          |
| - NBS 2wk repo + margin      | -        | -                       | 14,24%     |
|                              |          | <b>As at</b>            |            |
|                              |          | <b>31 December 2009</b> |            |
|                              | <b>€</b> | <b>US\$</b>             | <b>RSD</b> |
| Bank Borrowings (short-term) |          |                         |            |
| - Floating Euribor + margin  | 2,87%    | -                       | -          |
| - Floating Libor + margin    | -        | 2,36%                   | -          |
| Bank Borrowings (long-term)  |          |                         |            |
| - Floating Euribor + margin  | 1,70%    | -                       | -          |
| - Floating Libor + margin    | -        | 0,48%                   | -          |
| - NBS 2wk repo + margin      | -        | -                       | 13,17%     |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

|                         | <b>As at</b>            |                         |
|-------------------------|-------------------------|-------------------------|
|                         | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Euro                    | 1.787.831               | 1.298.811               |
| US dollar               | 571.771                 | 534.250                 |
| RSD                     | 65.379                  | 79.587                  |
| <b>Total borrowings</b> | <b>2.424.981</b>        | <b>1.912.648</b>        |

Hellenic Petroleum Finance plc (HPF) was established in November 2005 in the U.K. and is a wholly-owned subsidiary of Hellenic Petroleum S.A. The company acts as the central treasury vehicle of the Hellenic Petroleum Group and its activities include the financing of the Group companies.

On 18 April 2006 HPF concluded a syndicated €300 million 364-day multi-currency revolving credit facility agreement with the guarantee of the parent company. The facility had an extension option for a further 364 day period which was exercised in 2007 and consequently the maturity date was extended to 15 April 2008. In April 2008, the facility was extended for a further 364 day period until 14 April 2009 and the facility amount was increased to €400 million. In April 2009 the facility was extended for a further 364 days until 13 April 2010. In April 2010, the facility was extended for a further 364 days until 12 April 2011. The outstanding balance of the facility as at 31 December 2010 amounted to the equivalent of €285million (2009: €395 million).

On 2 February 2007 HPF signed a syndicated US\$1,180 million credit facility agreement with a maturity of five years and two 364-day extension options, closely related to the host contract, exercisable prior to the first and the

second anniversary of the facility. The facility is guaranteed by the parent company. A total of fifteen Greek and international financial institutions have participated in the facility. The facility comprises of fixed term borrowings and revolving credit. In 2007 the Company exercised the first extension option to extend the maturity date until 31 January 2013 to which all participating financial institutions have consented, except for one bank whose participation in the facility amounted to US\$ 20 million. Hellenic Petroleum Finance did not exercise the second extension option. The outstanding balance under the facility as at 31 December 2010 amounted to the equivalent of €875 million, of which short term revolving loans amounted to the equivalent of €499 million.

On 9 December 2009, HPF concluded a syndicated €250 million facility agreement with a maturity of three years, with the possibility to increase the amount up to €350 million after syndication of the facility in the secondary market. The purpose of the facility was to finance the acquisition of Hellenic Fuels S.A. (former BP Hellas). On 11 February 2010, following successful syndication in the secondary market the credit facility agreement was increased to €350 million. The outstanding balance of the facility amounted to €350 million as at 31 December 2010.

The total balance of HPF's bank borrowings as at 31 December 2010 amounted to the equivalent of € 1,5 billion. The proceeds of the aforementioned facilities have been used to provide loans to other Group companies.

On 26 May 2010, Hellenic Petroleum S.A. signed two loan agreements with the European Investment Bank for a total amount of €400 million (€200 million each). The loans have a maturity of 12 years. The purpose of the loans is to finance part of the investment programme relating to the upgrade of Elefsina Refinery. As at 31 December 2010, the outstanding loan balance amounted to €400 million.

The Group subsidiaries also have loans with various banks to cover their local financing needs. As at 31 December 2010, the outstanding loan balance amounted to approximately €0,5 billion.

The loan analysis is as follows:

|                           | <b>As at</b>            |                         |
|---------------------------|-------------------------|-------------------------|
|                           | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Revolving credit facility | 1.297.103               | 1.191.370               |
| Term loans                | 1.127.878               | 721.278                 |
| <b>Total borrowings</b>   | <b>2.424.981</b>        | <b>1.912.648</b>        |

## 18 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| <b>Deferred tax assets:</b>                                       |                  |                  |
| Deferred tax assets to be recovered after more than 12 months     | 38.827           | 23.919           |
|   | <b>38.827</b>    | <b>23.919</b>    |
| <b>Deferred tax liabilities:</b>                                  |                  |                  |
| Deferred tax liabilities to be incurred after more than 12 months | (50.796)         | (53.613)         |
|   | <b>(50.796)</b>  | <b>(53.613)</b>  |
|   | <b>(11.969)</b>  | <b>(29.692)</b>  |

The gross movement on the deferred income tax asset / (liability) is as follows:

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| <b>Beginning of the year</b>            | (29.692)         | 47.515           |
| Income statement recovery / (charge)    | 8.450            | (50.675)         |
| Charged / (released) to equity          | 6.723            | (2.136)          |
| Acquisition of subsidiary (see Note 34) | 2.583            | (29.900)         |
| Other movements                         | (33)             | 5.504            |
| <b>End of year</b>                      | <b>(11.969)</b>  | <b>(29.692)</b>  |

Deferred tax relates to the following types of net temporary differences:

|  |                 |                 |
|--|-----------------|-----------------|
| Intangible and tangible fixed assets           | (38.251)        | (32.656)        |
| Inventory valuation                            | 1.658           | 620             |
| Unrealised exchange gains                      | 6.058           | (8.678)         |
| Employee benefits provision                    | 29.649          | 29.565          |
| Derivative financial instruments at fair value | 17.874          | 20.218          |
| Acquisition of subsidiary (see Note 34)        | 2.583           | (29.900)        |
| Other temporary differences                    | (31.540)        | (8.861)         |
| <b>End of year</b>                             | <b>(11.969)</b> | <b>(29.692)</b> |

Deferred tax in relation to special or tax free reserves is calculated to the extent that the Group believes it is more likely than not to be incurred and is entered in the related accounts.



## 19 Retirement benefit obligations

|                                       | <b>As at</b>            |                         |
|---------------------------------------|-------------------------|-------------------------|
|                                       | <b>31 December 2010</b> | <b>31 December 2009</b> |
| <b>Balance sheet obligations for:</b> |                         |                         |
| Pension benefits                      | 143.414                 | 148.464                 |
| <b>Total as per balance sheet</b>     | <b>143.414</b>          | <b>148.464</b>          |

|                                      | <b>For the year ended</b> |                         |
|--------------------------------------|---------------------------|-------------------------|
|                                      | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| <b>Income statement charge for:</b>  |                           |                         |
| Pension benefits                     | 23.600                    | 98.710                  |
| <b>Total as per income statement</b> | <b>23.600</b>             | <b>98.710</b>           |

The amounts recognised in the balance sheet are as follows:

|   | <b>As at</b>            |                         |
|---|-------------------------|-------------------------|
|   | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Present value of funded obligations     | 10.580                  | 1.890                   |
| Fair value of planned assets            | (8.563)                 | (1.120)                 |
| Present value of unfunded obligations   | 168.784                 | 194.027                 |
| Unrecognised actuarial gains / (losses) | (24.116)                | (42.806)                |
| Unrecognised prior service cost         | (3.271)                 | (3.527)                 |
| <b>Liability in the Balance Sheet</b>   | <b>143.414</b>          | <b>148.464</b>          |

The amounts recognised in the income statement are as follows:

|   | <b>For the year ended</b> |                         |
|---|---------------------------|-------------------------|
|   | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| Current service cost                                  | 10.961                    | 10.191                  |
| Interest cost   | 9.663                     | 10.592                  |
| Net actuarial (gains) / losses recognised in the year | 1.068                     | 8.268                   |
| Past service cost                                     | 192                       | 1.364                   |
| <b>Regular profit &amp; loss charge</b>               | <b>21.884</b>             | <b>30.415</b>           |
| Additional cost of extra benefits                     | 1.716                     | 68.295                  |
| <b>Total included in employee benefit expense</b>     | <b>23.600</b>             | <b>98.710</b>           |

The movement in liability recognised in the balance sheet is as follows:

|  | <b>As at</b>            |                         |
|--|-------------------------|-------------------------|
|  | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Beginning of the year                              | 148.464                 | 153.736                 |
| Total expense included in employee benefit expense | 23.600                  | 98.710                  |
| Payments made                                      | (29.729)                | (110.426)               |
| Other adjustments                                  | 1.079                   | 6.444                   |
| <b>At year end</b>                                 | <b>143.414</b>          | <b>148.464</b>          |

The principal actuarial assumptions used were as follows:

|                                      | <b>As at</b>            |                         |
|--------------------------------------|-------------------------|-------------------------|
|                                      | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Discount Rate                        | 4,50%                   | 5,80%                   |
| Future Salary Increases              | 2,00%                   | 4,50%                   |
| Average future working life in years | 12,6                    | 11,4                    |

Additional cost of extra benefits for 2009 includes the voluntary retirement scheme costs (see Note 25).

## 20 Provisions and other long term liabilities

|                               | As at            |                  |
|-------------------------------|------------------|------------------|
|                               | 31 December 2010 | 31 December 2009 |
| Government grants             | 24.084           | 27.813           |
| Litigation and tax provisions | 5.761            | 8.842            |
| Leased petrol stations        | 7.969            | 9.158            |
| Other provisions              | 12.095           | 11.131           |
| <b>Total</b>                  | <b>49.909</b>    | <b>56.944</b>    |

The movement for provisions and other long term liabilities for 2010 is as follows:

|   | Govern-<br>ment<br>advances<br>and grants | Litigation<br>& tax<br>provisions | Leased<br>petrol-<br>stations | Other<br>Provisions<br>& Other LT<br>liabilities | Total         |
|---|---|-----------------------------------|-------------------------------|--|---------------|
| <b>At 1 January 2009</b>                      | <b>26.431</b>                             | <b>7.518</b>                      | <b>10.405</b>                 | <b>8.352</b>                                     | <b>52.706</b> |
| Charged / (credited) to the income statement: |   |                                   |                               |  |               |
| - Additional provisions / grants              | -   | 1.582                             | -                             | 1.892  | 3.474         |
| - Unused amounts reversed                     | -   | (1.000)                           | -                             | -  | (1.000)       |
| - Utilized during year                        | (4.184)                                   | -                                 | -                             | -  | (4.184)       |
| Reclassifications                             | 4.870                                     | 742                               | -                             | 940  | 6.552         |
| Additional grants                             | 696                                       | -                                 | -                             | -  | 696           |
| Used during year                              | -   | -                                 | (1.247)                       | (53)   | (1.300)       |
| <b>At 31 December 2009</b>                    | <b>27.813</b>                             | <b>8.842</b>                      | <b>9.158</b>                  | <b>11.131</b>                                    | <b>56.944</b> |
| Charged / (credited) to the income statement: |   |                                   |                               |  |               |
| - Additional provisions / grants              | -   | -                                 | -                             | -  | -             |
| - Unused amounts reversed                     | -   | (1.113)                           | -                             | 117  | (996)         |
| - Utilized during year                        | (3.860)                                   | (1.968)                           | -                             | -  | (5.828)       |
| Reclassifications                             | -   | -                                 | -                             | 238  | 238           |
| Additional grants                             | 131                                       | -                                 | -                             | -  | 131           |
| Used during year                              | -   | -                                 | (1.189)                       | 609  | (580)         |
| <b>At 31 December 2010</b>                    | <b>24.084</b>                             | <b>5.761</b>                      | <b>7.969</b>                  | <b>12.095</b>                                    | <b>49.909</b> |

### *Government grants*

Advances by the Government to the Group's entities relate to property plant and equipment.

### *Environmental costs*

No material provision for environmental remediation is included in the accounts as the Company has a policy for addressing environmental issues.

### *Other provisions and other long-term liabilities*

Amounts included in other provisions and long term liabilities relate to sundry operating items and risks arising from the Group's ordinary activities.

## **21 Fair values of derivative financial instruments**

### **Derivatives held for trading**

In the context of managing risk resulting from the volatility in the inventory values of products and crude oil, the Group enters into derivative contracts. To the extent that these contracts are not designated as hedges, they are categorized as derivatives held-for-trading. The fair value of derivatives held-for-trading is recognized on the statement of financial position in "Trade and other debtors" and "Trade and other payables" if the maturity is less than 12 months and in "Loans, advances and other receivables" and "Other long term liabilities" if the maturity is more than 12 months. Changes in the fair value of these derivatives are charged to the Statement of comprehensive income either within Other (expenses)/income or Cost of sales.

The instruments used for this risk management include commodity exchange traded contracts (ICE futures), full refinery margin forwards, product price forward contracts or options.

As part of managing operating and price risk, the Group engages in derivative transactions with 3<sup>rd</sup> parties with the intention of matching physical positions and trades or close proxies thereof and are therefore considered an integral part of "Cost of Sales". During 2010 the amounts attributable to such derivatives were €2.296 gain (2009: €47.930 loss) and are included in "Cost of Sales".

In certain cases it may not be possible to achieve a fully matched position, in which case the impact can not be considered as a "Cost of Sales" component. The result from such derivative positions in 2010 € 11.895 loss (2009: €15.297 loss) and is shown under "Other operating (expenses) / income – net" (see Note 25).

### **Derivatives designated as cash flow hedges**

The Group uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices. In this framework, the Group has entered into a number of commodity price swaps which have been designated by the Group as cash flow hedges, have been evaluated and proven to be highly effective, and in this respect, any changes in their fair value are recorded within Equity. The fair value of the Commodity swaps at the end of the reporting period was recognised in "Long term derivatives", while changes in their fair value are recorded in reserves as long as the forecasted purchase of inventory is highly probable and the cash flow hedge is effective as defined in IAS 39.

When certain of the forecasted transactions cease to be highly probable, they are de-designated from cash flow hedges at which time amounts charged to reserves are transferred to the statement of comprehensive income within "other income/expense". As at 31 December 2010 amounts transferred to the statement of comprehensive income for de-designated hedges amounted to €9.571 loss net of tax (31 December 2009: €0) which relate to projected transactions for the Elefsina refinery upgrade in 2011. The remaining cash flow hedges are highly effective and the movement in the fair value of these derivatives, amounting to a loss of €34.759 net of tax (2009: €7.425 gain), was transferred to the "Hedging Reserve".

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

**Derivatives held for Trading**

| Commodity Derivative type | 31 December 2010 |          |               |               | 31 December 2009 |              |          |               |
|---------------------------|------------------|----------|---------------|---------------|------------------|--------------|----------|---------------|
|                           | Notional Amount  |          | Assets        | Liabilities   | Notional Amount  |              | Assets   | Liabilities   |
|                           | MT'000           | Bbls'000 | €             | €             | MT'000           | Bbls'000     | €        | €             |
| Commodity Swaps           | 2.460            | -        | 12.715        | 21.137        | 550              | 3.840        | -        | 26.536        |
|                           | <b>2.460</b>     | <b>-</b> | <b>12.715</b> | <b>21.137</b> | <b>550</b>       | <b>3.840</b> | <b>-</b> | <b>26.536</b> |

**Derivatives designated as Cash Flow Hedges**

| Commodity Derivative type | 31 December 2010 |          |               |               | 31 December 2009 |          |          |               |
|---------------------------|------------------|----------|---------------|---------------|------------------|----------|----------|---------------|
|                           | Notional Amount  |          | Assets        | Liabilities   | Notional Amount  |          | Assets   | Liabilities   |
|                           | MT'000           | Bbls'000 | €             | €             | MT'000           | Bbls'000 | €        | €             |
| Commodity Swaps           | 1.440            | -        | -             | 69.162        | 2.100            | -        | -        | 37.253        |
|                           | <b>1.440</b>     | <b>-</b> | <b>-</b>      | <b>69.162</b> | <b>2.100</b>     | <b>-</b> | <b>-</b> | <b>37.253</b> |
| <b>Total</b>              |                  |          | <b>12.715</b> | <b>90.299</b> |                  |          | <b>-</b> | <b>63.789</b> |

|                                | 31 December 2010 |               | 31 December 2009 |               |
|--------------------------------|------------------|---------------|------------------|---------------|
|                                | Assets           | Liabilities   | Assets           | Liabilities   |
| <b>Non-current portion</b>     |                  |               |                  |               |
| Commodity swaps                | -                | 66.296        | -                | 37.253        |
|                                | <b>-</b>         | <b>66.296</b> | <b>-</b>         | <b>37.253</b> |
| <b>Current portion</b>         |                  |               |                  |               |
| Commodity swaps (Notes 11, 16) | 12.715           | 24.003        | -                | 26.536        |
|                                | <b>12.715</b>    | <b>24.003</b> | <b>-</b>         | <b>26.536</b> |
| <b>Total</b>                   | <b>12.715</b>    | <b>90.299</b> | <b>-</b>         | <b>63.789</b> |

## 22 Employee benefit expense

|                           | For the year ended |                  |
|---------------------------|--------------------|------------------|
|                           | 31 December 2010   | 31 December 2009 |
| Wages and salaries        | 227.836            | 216.977          |
| Social security costs     | 43.376             | 40.954           |
| Pension costs             | 25.533             | 92.356           |
| Other employment benefits | 40.450             | 37.557           |
| <b>Total</b>              | <b>337.195</b>     | <b>387.844</b>   |

Included in Pension costs for 2009 is the additional expenditure incurred regarding the Voluntary Retirement Scheme (see Note 25).

Included in Other employment benefits are medical insurance, catering, and transportation expenses. The value of shared – based compensation of €1.352 (2009: €1.166) is also included therein (see Note 14).

## 23 Selling, distribution and administrative expenses

|                                   | For the year ended |                  |
|-----------------------------------|--------------------|------------------|
|                                   | 31 December 2010   | 31 December 2009 |
| Selling and distribution expenses | 338.527            | 282.295          |
| Administrative expenses           | 148.235            | 136.945          |
|                                   | <b>486.762</b>     | <b>419.241</b>   |

Selling, distribution and administrative expenses for the year ended 31 December 2010 include the results of Hellenic Fuels (formerly BP Hellas) amounting to €91 million, which was acquired in December 2009.

## 24 Exploration and Development expenses

Exploration and development expenses comprise expenditure associated with the Group's exploration activities as an operator in one block in western Egypt and in another block in southern Egypt in a joint venture with Melrose and Kuwait Energy through the Hellenic Petroleum branch in Egypt. As these projects are still in the exploration phase, all amounts spent are expensed (2010: €20.660 and 2009: € 15.441).

## 25 Other operating income / (expenses) - net

|  | For the year ended |                  |
|--|--------------------|------------------|
|  | 31 December 2010   | 31 December 2009 |
| Income from grants   | 3.870              | 4.184            |
| Gains on derivative financial instruments                                    | 11.460             | 9.329            |
| Losses on derivative financial instruments                                   | (11.895)           | (20.103)         |
| Services to third parties  | 4.457              | 3.534            |
| Rental income  | 23.368             | 11.999           |
| Voluntary retirement scheme cost   | (5.132)            | (67.679)         |
| Excess of acquirer's interest resulting from business combinations (Note 34) | (1.434)            | 15.000           |
| Other income / (expense)   | 10.612             | 25.815           |
| <b>Total</b>   | <b>35.306</b>      | <b>(17.921)</b>  |

Other operating (expenses) / income – net include amongst other items income or expenses which do not represent trading activities of the Group. Also included in Other Operating (Expenses) / Income are gains / (losses) from derivative positions not directly associated with operating activities (note 21).

## 26 Finance costs -net

|                                      | For the year ended |                  |
|--------------------------------------|--------------------|------------------|
|                                      | 31 December 2010   | 31 December 2009 |
| Interest income                      | 13.270             | 20.914           |
| Interest expense and similar charges | (71.549)           | (53.919)         |
| Accrued Interest                     | (1.155)            | (512)            |
| <b>Finance costs -net</b>            | <b>(59.434)</b>    | <b>(33.517)</b>  |

In addition to the finance cost shown above, an amount of €22,6 million (2009: €4,9 million) has been capitalized, as further explained in Note 6.

## 27 Currency exchange gains / (losses)

Currency exchange losses of €16 million for the year ended 31 December 2010 are mostly driven by marked-to-market losses on US\$ denominated loans of €42 million, due to the strengthening of the US\$ against the Euro taking place during 2010, which were partly set off by net realized and unrealized gains of €20 million from the translation of trade payables and receivables balances. The Group opts to borrow funds in US\$ in order to finance the acquisition of US\$ denominated crude oil stocks and as a result a Euro-related compensating benefit is included in the gross margin.

## 28 Income tax expense

|                        | <b>For the year ended</b> |                         |
|------------------------|---------------------------|-------------------------|
|                        | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| Current tax            | 119.744                   | 15.476                  |
| Deferred tax (Note 18) | (8.450)                   | 50.676                  |
| <b>Total</b>           | <b>111.294</b>            | <b>66.152</b>           |

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the company, as follows:

|  | <b>For the year ended</b> |                         |
|--|---------------------------|-------------------------|
|  | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| <b>Profit Before Tax</b>                                 | <b>298.713</b>            | <b>242.414</b>          |
| Income tax calculated at tax rates applicable to profits | 68.258                    | 62.961                  |
| Tax on income not subject to tax                         | (27.554)                  | (29.265)                |
| Tax on expenses not deductible for tax purposes          | 37.199                    | 18.202                  |
| Tax losses utilised or carried forward                   | (11)                      | (63)                    |
| Additional one-off tax on 2009 profits (L.3845/10)       | 25.963                    | -                       |
| Income tax on interim dividend 2010                      | 12.225                    | -                       |
| Other  | (4.786)                   | 14.317                  |
| <b>Tax Charge</b>  | <b>111.294</b>            | <b>66.152</b>           |

The basic tax rate for Hellenic Petroleum S.A. was 24% for the period ending 31 December 2010 (25% for the period ending 31 December 2009).

In 2009 a new tax law (L3697/2009) was enacted on the base of which income tax rates for the fiscal years 2010, 2011, 2012, 2013 and periods after 1 January 2014 would be 25%, 24%, 23%, 22%, 21% and 20% respectively. These rates have been used for deferred tax calculations as at 31 December 2010.

Income tax charge for 2010 has been affected by two items:

- a) Special contribution: In line with L.3845/10 a special contribution on the profits for 2009 has been provided for (see Note 32).
- b) Provision for tax on interim dividend: In line with law 3842/10, for the years starting from 1/1/2010, distributed earnings attract a total income tax of 40%. Specifically for the year 2010, this means a top-up of 16% over the

normal corporate tax rate of 24%. Even-though a recent law proposal changes the treatment of distributed earnings, given that this has not been enacted yet, an accrual amounting to €12.225 for the incremental tax for interim dividend has been provided for. If the proposed law is enacted before dividends are approved by the AGM, then this amount will be amended accordingly in 2011.

A number of the Group subsidiaries continue to have unaudited fiscal years by the tax authorities. Hellenic Petroleum S.A. has not been audited from 2002 onwards. EKO S.A. has not been audited for the fiscal years 2009 to 2010 (refer also to note 32).

The tax (charge) / credit relating to components of other comprehensive income, is as follows:

|                                     | For the year ended         |              |                 |                            |                |              |
|-------------------------------------|----------------------------|--------------|-----------------|----------------------------|----------------|--------------|
|                                     | 31 December 2010           |              |                 | 31 December 2009           |                |              |
|                                     | Tax<br>(charge)/<br>credit |              |                 | Tax<br>(charge)/<br>credit |                |              |
|                                     | Before tax                 |              | After tax       | Before tax                 |                | After tax    |
| Available-for-sale financial assets | 44                         | -            | 44              | (201)                      | -              | (201)        |
| Cash flow hedges                    | (31.911)                   | 6.723        | (25.188)        | 9.561                      | (2.136)        | 7.425        |
| Currency translation differences    | 639                        | -            | 639             | (4.852)                    | -              | (4.852)      |
| <b>Other comprehensive income</b>   | <b>(31.228)</b>            | <b>6.723</b> | <b>(24.505)</b> | <b>4.508</b>               | <b>(2.136)</b> | <b>2.372</b> |

## 29 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

|   | For the year ended |                  |
|---|--------------------|------------------|
|   | 31 December 2010   | 31 December 2009 |
| <b>Earnings per share attributable to the Company Shareholders<br/>(expressed in Euro per share):</b> | <b>0,59</b>        | <b>0,57</b>      |
| Net income attributable to ordinary shares<br>(Euro in thousands)                                     | 179.818            | 174.890          |
| Average number of ordinary shares outstanding   | 305.635.185        | 305.635.185      |

Diluted earnings per share are the same as basic earnings per share as the effect of share options is not significant.

## 30 Dividends per share

A proposal to the AGM for an additional €0,30 per share as final dividend for 2008 (amounting to a total of €91.691) was approved by the Board of Directors on 26 February 2009 and the final approval was given by the shareholders at the AGM held on 3 June 2009.

At its meeting held on 27 August 2009, during which the Board of Directors approved the condensed interim financial information of the Company for the six month period ended 30 June 2009, the Board proposed and approved an interim dividend for the 2009 financial year of €0,15 per share (amounting to a total of €45.845). The relevant amounts relating to the interim dividend for 2009 and the final dividend for 2008 (totalling €137.536) are included in these financial statements.

A proposal to the AGM for an additional €0,30 per share as final dividend for 2009 (amounting to a total of €91.691) was approved by the Board of Directors on 25 February 2010 and the final approval was given by the shareholders at the AGM held on 2 June 2010. Furthermore, at its meeting held on 24 August 2010, during which the Board of Directors approved the condensed interim financial information of the Company for the six

month period ended 30 June 2010, the Board proposed and approved an interim dividend for the 2010 financial year of €0.15 per share (amounting to a total of €45.845). The relevant amounts relating to the interim dividend for 2010 and the final dividend for 2009 have been included in these financial statements. Due to changes in tax regulations during the year, the payment of the interim dividend raised additional tax obligations on the Company of € 12,2 million (refer to Note 28).

A proposal to the AGM for an additional € 0,30 per share as final dividend was approved by the Board of Directors on 24 February 2011. This amounts to €91.691 and is not included in these accounts as it has not yet been approved by the shareholders' AGM. No provision for tax was taken for the final dividend as the Group expects the new tax legislation to clear the issue (refer to Note 28).

### 31 Cash generated from operations

|  |      | For the year ended |                  |
|--|------|--------------------|------------------|
|  | Note | 31 December 2010   | 31 December 2009 |
| <b>Profit before tax</b>   |      | <b>298.713</b>     | <b>242.414</b>   |
| Adjustments for:   |      |                    |                  |
| Depreciation and amortisation of property, plant & equipment and intangible assets | 6,7  | 156.794            | 128.863          |
| Amortisation of grants   |      | (3.860)            | (4.184)          |
| Finance costs - net  | 26   | 59.434             | 33.517           |
| Share of operating profit of associates and dividends                              |      | (30.028)           | (18.418)         |
| Provisions   |      | 38.034             | 52.981           |
| Foreign exchange (gains) / losses  |      | 15.793             | 3.714            |
| (Gain) / loss on sales of P.P.E.   |      | (292)              | (1.321)          |
|  |      | <b>534.588</b>     | <b>437.566</b>   |
| <b>Changes in working capital</b>  |      |                    |                  |
| (Increase) / decrease in inventories   |      | (227.345)          | (353.390)        |
| (Increase) / decrease in trade and other receivables                               |      | (41.672)           | 16.426           |
| Increase / (decrease) in payables  |      | 453.701            | 266.828          |
|  |      | <b>184.684</b>     | <b>(70.136)</b>  |
| <b>Net cash generated from operating activities</b>                                |      | <b>719.272</b>     | <b>367.430</b>   |

### 32 Contingencies and litigation

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. Provisions are set up by the Group against such matters whenever deemed necessary and included in other provisions (note 19). They are as follows:

- (i) The Group is involved in a number of legal proceedings and has various unresolved claims pending arising in the ordinary course of business. Based on currently available information and the opinion of the legal consul, management believes the final outcome will not have a significant effect on the Group's operating results or financial position.
- (ii) The parent Company has not undergone a tax audit for the years ended 31 December 2002 to 31 December 2010. The tax audit for Hellenic Petroleum S.A. for the years 2002 – 2009 is currently under way, while temporary tax audits are finalized for the years 2006 and 2008. The following tax audits are also currently in progress:
  - For Hellenic Fuels S.A. (ex BP Hellas) for the years 2005 – 2009



- For EL.PET. Vulkaniki for the years 2006 – 2009
- For Vardax S.A. temporary audit for the years 2006 – 2010

Based on Art.5 of the Tax Law 3845/2010 (FEK 65A' – 6/5/2010), the Group is subject to a special tax contribution in respect of profits of financial year 2009. Hellenic Petroleum S.A. has received the relevant assessment from the tax authorities indicating an obligation amounting to €26 million. However, the tax authorities' calculation was found to be incorrect and the company submitted the relevant supporting analyses for the calculation to be corrected. The overall provision for the Law 3845/2010 special tax contribution in the consolidated financial statements of the Group amounts to €26 million and has been based on the correct calculation of Hellenic Petroleum's special contribution which amounts to € 21 million.

During the year, Vardax S.A. has been charged with an amount of €6 million in respect of VAT (including additional charges) following a temporary VAT tax audit for year 2005, as the tax auditor has considered that the company's activities should be subject to VAT. The company has paid this amount and included this in Other debtors since it has filed an appeal before the Administrative Court for the annulment of the above action. Management has obtained independent tax and legal advice that the company has correctly assessed that its activity is not subject to VAT and, therefore, management believes that no further provisions should be made in the financial statements in connection with this matter

Management believes that no additional material liability will arise as a result of open tax years over and above the tax liabilities and provisions recognised in the financial statements.

- (iii) The parent Company has provided letters of comfort and guarantees in favour of banks as security for loans granted by them to subsidiaries and associates of the Group, the outstanding amount of which as at 31 December 2010 was the equivalent of € 1.801 million (31 December 2009: € 1.715 million). Out of these, € 1.662 million (31 December 2009: € 1.615 million) are included in consolidated borrowings of the Group and presented as such in these financial statements. The Group has also issued letters of credit and guarantees in favour of third parties, mainly for the procurement of crude oil, which as at 31 December 2010 amounted to the equivalent of € 698 million (31 December 2009: €568 million) equivalent.
- (iv) Following complaints by IATA, the Greek Competition Committee initiated an investigation into the pricing of aviation jet fuel in the Greek market. The conclusion of the investigation was to assert a fine of €9,4m to all Greek refineries, Hellenic Petroleum share accounts for €7,3m and it is based on a percentage of the relevant sales revenues in the year preceding the complaint. The Group maintaining its position that the rational of the conclusion has not taken into account critical evidence presented, filed an appeal with the Athens Administrative Court of Appeals. In parallel a petition to suspend the decision was also filed and partially accepted; the Court suspended the corrective measures imposed by the Greek Competition Committee until 31 August 2007 (since then all necessary changes have been implemented), but did not suspend the payment of the fine, which has been paid. The court date for the appeal, initially set for the 27 September 2007 was postponed to take place on 17 January 2008, and was finally tried on 25 September 2008. The resolution issued has partly accepted the Group's appeal i.e. (a) has reduced the fine of €7,3 million by €1,5 million and (b) has revoked the corrective measures which were temporarily suspended as above. The Group is contesting the above decision before the Supreme Administrative Court for the part for which the aforementioned resolution has not been fully accepted. The case has been postponed twice, to be heard on 11 May 2011.
- (v) In 2008, the D' Customs Office ( Formerly Z' Customs Office) of Piraeus, issued deeds of assessment amounting at approximately €40 million for alleged custom stock shortages in the bonded warehouses of Aspropyrgos and Elefsina installations. In relation with the above, the Company has filed within the deadlines required by the Law, contestations before the Administrative Court of First Instance of Piraeus, for which no dates of hearing have been assigned to date. In addition, independent auditors have confirmed that there are no stock shortages and the books are in complete agreement with official stock counts. Further to the substantial reasons of contestation, legal advisors of the Company have expressed the opinion that such claims have been time-barred.
- (vi) On 25 September 2009 the Commission for the Protection of Competition in Cyprus imposed a fine amounting to €14,3 million against Hellenic Petroleum Cyprus Ltd. Pertinent legal actions are in

progress and the likelihood for a material cash outflow is assessed as remote. The Company's appeal before the Full Bench of the Supreme Court was heard on 18 January 2010 and the supplementary memorandums and additional documents requested have been subsequently and duly submitted. The procedure is now in progress.

- (vii) Even-though not material to have an impact on these financial statements, Group's international operations face a number of legal issues related to changes in local permitting and tax regulations. Such cases include the issue of local tank depots in Montenegro. Specifically, following the completion of the international tender process and the resulting Share Purchase Agreement of JPK shares in 2002, ownership and use of a small part of the company's tank assets remains under legal dispute as ex-federation strategic stock terminals. The Group is contesting this case in local courts and management believes that this will not result in any material change of business in its local subsidiary.

### **33 Commitments**

Significant contractual commitments of the Group are as follows:

- Total capital commitments for the Group amount to €559 million (31 December 2009: €617 million) of which €412 million relate to the Hydrocracker project.
- Upstream exploration and development costs of €1.5 million (31 December 2009: €4,4 million) have been committed as part of the Joint Operating Agreements (JOA) in place. These commitments will depend on the progress of exploration activities.

### **34 Business combinations**

On 10 December 2009, the Group acquired 100% of the share capital of BP Hellas S.A. (subsequently renamed Hellenic Fuels S.A.), a company operating in the marketing sector. The acquisition accounting was completed in December 2010, whereby the purchase price amounted to €365,8 million (excluding acquisition costs), which includes the assumption of debt of €40,0 million.

Final purchase price allocation adjustments are presented in the adjustment column below and their impact on the excess of acquirer's interest has been recognised in the statement of comprehensive income for the year ended 31 December 2010, within Other operating income / (expenses) – net (Note 25).

**Hellenic Petroleum S.A.**  
Consolidated Financial Statements in accordance with IFRS  
for the year ended 31 December 2010  
*(All amounts in Euro thousands unless otherwise stated)*

|  | As reported in 2009 | Adjustments     | Adjusted values |
|--|---------------------|-----------------|-----------------|
| Property, plant and equipment                    | 193.338             | (2.001)         | 191.337         |
| Intangible assets                                | 61.940              | (4.044)         | 57.896          |
| Deferred income tax assets                       | 6.756               | -               | 6.756           |
| Available-for-sale financial assets              | 395                 | -               | 395             |
| Loans, advances and other receivables            | 53.227              | -               | 53.227          |
| Inventories                                      | 34.082              | -               | 34.082          |
| Trade and other receivables                      | 155.403             | (7.651)         | 147.752         |
| Cash and cash equivalents                        | 40.570              | -               | 40.570          |
| Non current borrowings                           | (40.000)            | -               | (40.000)        |
| Deferred income tax liabilities                  | (29.800)            | 2.583           | (27.217)        |
| Retirement benefit obligations                   | (8.883)             | -               | (8.883)         |
| Provisions and other long term liabilities       | (870)               | -               | (870)           |
| Trade and other payables                         | (67.877)            | (1.222)         | (69.099)        |
| Current income tax liabilities                   | (6.501)             | -               | (6.501)         |
| Current borrowings                               | (86)                | -               | (86)            |
| <b>Fair value of net assets acquired</b>         | <b>391.694</b>      | <b>(12.335)</b> | <b>379.359</b>  |
| Excess of acquirer's interest                    | (15.000)            | 1.434           | (13.566)        |
| Costs of acquisition                             | -                   | 3.709           | 3.709           |
| <b>Total purchase consideration</b>              | <b>376.694</b>      | <b>(7.192)</b>  | <b>369.502</b>  |
| Purchase consideration settled in cash           | 376.694             | (10.901)        | 365.793         |
| Cash and cash equivalents in subsidiary acquired | (40.570)            | -               | (40.570)        |
| <b>Cash outflow on acquisition</b>               | <b>336.124</b>      | <b>(10.901)</b> | <b>325.223</b>  |

The resulting excess of acquirer's interest is attributable to economies of scale that the Group will be able to realize by combining operations with those already existing in Greece.

### 35 Related-party transactions

|   | For the year ended |                  |
|---|--------------------|------------------|
|   | 31 December 2010   | 31 December 2009 |
| Sales of goods and services to related parties (within Sales)               | 421.105            | 403.962          |
| Purchases of goods and services from related parties (within Cost of sales) | 49.198             | 38.066           |
|   | <b>470.303</b>     | <b>442.028</b>   |

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| Balances due to related parties (within Trade and other payables)      | 301.402          | 273.667          |
| Balances due from related parties (within Trade and other receivables) | 196.167          | 179.147          |
|  | <b>497.569</b>   | <b>452.814</b>   |

|                                    | For the year ended |                  |
|------------------------------------|--------------------|------------------|
|                                    | 31 December 2010   | 31 December 2009 |
| Charges for directors remuneration | 4.450              | 4.650            |

All transactions with related parties are conducted under normal trading and commercial terms on an arm's length basis.

Transactions and balances with related parties are in respect of the following:

- a) Parties which are under common control with the Group due to the shareholding and control rights of the Hellenic State:
- Public Power Corporation Hellas
  - Hellenic Armed Forces
  - Olympic Airways/ Olympic Airlines
- b) Financial institutions which are under common control with the Group due to the shareholding and control rights of the Hellenic State. The Group had loans amounting to the equivalent of €408 million as at 31 December 2010 (31 December 2009: equivalent of €477 million) which represent loan balances due to the following related financial institutions:
- National Bank of Greece
  - Agricultural Bank of Greece
- c) Joint ventures with other third parties:
- Hellenic Petroleum S.A. (75%) & Calfrac (25%)
  - Melrose (40%), Kuwait Energy (30%) & Hellenic Petroleum S.A. (30%)
  - JPK (49%), HPI (11%), Ramco (40%)
- d) Associates of the Group which are consolidated under the equity method:
- Athens Airport Fuel Pipeline Company S.A. (EAKAA)
  - Public Gas Corporation of Greece S.A. (DEPA)
  - Artenius S.A.
  - Elpedison B.V.
  - Spata Aviation Fuel Company S.A. (SAFCO)
  - HELPE Thraki
  - Biodiesel

- e) Financial institutions in which substantial interest is owned by parties which hold significant participation in the share capital of the Group. The Group had loans amounting to the equivalent of €580 million as at 31 December 2010 (31 December 2009: equivalent of €614 million) with the following related financial institutions:
- EFG Eurobank Ergasias S.A.
- f) Enterprises in which substantial interest is owned by parties which hold significant participation in the share capital of the Group.
- Private Sea Marine Services (ex Lamda Shipyards)

### 36 Principal subsidiaries, associates and joint ventures included in the consolidated financial statements

| COMPANY NAME                                | ACTIVITY            | COUNTRY OF REGISTRATION | PARTICIPATION PERCENTAGE | METHOD OF CONSOLIDATION |
|---|---------------------|-------------------------|--------------------------|-------------------------|
| EKO S.A.                                    | Marketing           | GREECE                  | 100,00%                  | FULL                    |
| HELLENIC FUELS S.A.                         | Marketing           | GREECE                  | 100,00%                  | FULL                    |
| EKOTA KO                                    | Marketing           | GREECE                  | 49,00%                   | FULL                    |
| EKO KALYPSO                                 | Marketing           | GREECE                  | 100,00%                  | FULL                    |
| EKO ATHINA S.A.                             | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| EKO ARTEMIS S.A.                            | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| EKO DIMITRA S.A.                            | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| EKO IRA S.A.                                | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| EKO AFRODITI S.A.                           | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| EKO BULGARIA                                | Marketing           | BULGARIA                | 100,00%                  | FULL                    |
| EKO SERBIA AD                               | Marketing           | SERBIA                  | 100,00%                  | FULL                    |
| EKO GEORGIA LTD                             | Marketing           | GEORGIA                 | 100,00%                  | FULL                    |
| HELPE INT'L                                 | Holding             | AUSTRIA                 | 100,00%                  | FULL                    |
| HELPE CYPRUS                                | Marketing           | U.K                     | 100,00%                  | FULL                    |
| RAMOIL S.A.                                 | Marketing           | CYPRUS                  | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM BULGARIA (HOLDINGS) LTD  | Marketing           | CYPRUS                  | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM BULGARIA PROPERTIES LTD  | Marketing           | CYPRUS                  | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM SERBIA (HOLDINGS) LTD    | Marketing           | CYPRUS                  | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM GEORGIA (HOLDINGS) LTD   | Marketing           | CYPRUS                  | 100,00%                  | FULL                    |
| JUGOPETROL AD KOTOR                         | Marketing           | MONTENEGRO              | 54,35%                   | FULL                    |
| GLOBAL ALBANIA S.A                          | Marketing           | ALBANIA                 | 99,96%                   | FULL                    |
| ELDA PETROL ALBANIA                         | Marketing           | ALBANIA                 | 99,96%                   | FULL                    |
| ELPET BALKANIKI S.A.                        | Holding             | GREECE                  | 63,00%                   | FULL                    |
| VARDAX S.A                                  | Pipeline            | GREECE                  | 50,40%                   | FULL                    |
| OKTA CRUDE OIL REFINERY A.D                 | Refining            | FYROM                   | 51,35%                   | FULL                    |
| ASPROFOS S.A                                | Engineering         | GREECE                  | 100,00%                  | FULL                    |
| DIAXON S.A.                                 | Petrochemicals      | GREECE                  | 100,00%                  | FULL                    |
| POSEIDON S.A.                               | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| APOLLON S.A.                                | Vessel owning       | GREECE                  | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM FINANCE PLC              | Treasury services   | U.K                     | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM CONSULTING               | Consulting services | GREECE                  | 100,00%                  | FULL                    |
| PETROLA A.E.                                | Real Estate         | GREECE                  | 100,00%                  | FULL                    |
| HELLENIC PETROLEUM RENEWABLE ENERGY SOURCES | Energy              | GREECE                  | 100,00%                  | FULL                    |
| ELPEDISON B.V.                              | Power Generation    | NETHERLANDS             | 50,00%                   | EQUITY                  |
| SAFCO S.A.                                  | Airplane Fuelling   | GREECE                  | 50,00%                   | EQUITY                  |
| DEPA S.A.                                   | Natural Gas         | GREECE                  | 35,00%                   | EQUITY                  |
| ARTENIUS HELLAS S.A.                        | Petrochemicals      | GREECE                  | 35,00%                   | EQUITY                  |
| E.A.K.A.A                                   | Pipeline            | GREECE                  | 50,00%                   | EQUITY                  |
| HELPE THRAKI S.A                            | Pipeline            | GREECE                  | 25,00%                   | EQUITY                  |
| BIODIESEL S.A.                              | Energy              | GREECE                  | 25,00%                   | EQUITY                  |

### 37 Subsequent events

There were no significant events that took place after the current end of the reporting period as at 31 December 2010.

## **1.2 Parent Company Financial Statements**

# **HELLENIC PETROLEUM S.A.**

## **Financial Statements in accordance with IFRS for the year ended 31 December 2010**



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## Company Information

### Directors

Anastasios Giannitsis – Chairman of the Board (since 02/12/2009)  
John Costopoulos – Chief Executive Officer  
Theodoros-Achilleas Vardas – Executive Member  
Dimokritos Amallos – Non executive Member (since 28/12/2009)  
Alexios Athanasopoulos – Non executive Member  
Anastassios Banos – Non executive Member (since 28/12/2009)  
Georgios Kallimopoulos – Non executive Member  
Alexandros Katsiotis – Non executive Member (since 28/12/2009)  
Gerassimos Lachanas – Non executive Member (since 28/12/2009)  
Dimitrios Lalas – Non executive Member (since 28/12/2009)  
Panagiotis Ofthalmides – Non executive Member  
Theodoros Pantalakis – Non executive Member (since 28/12/2009)  
Spyridon Pantelias – Non executive Member (since 28/12/2009)

### Other Board Members during the previous period:

Efthimios Christodoulou – Chairman of the Board (until 02/12/2009)  
Nikolaos Leros – Executive Member (until 05/05/2009)  
Ioulia Armagou – Non executive Member (07/08/2008 – 28/12/2009)  
Vasilios Bagiokos – Non executive Member (until 28/12/2009)  
Dimitrios Miliakos – Non executive Member (14/05/2008 – 02/12/2009)  
Panagiotis Pavlopoulos – Non executive Member (until 28/12/2009)  
Nikolaos Pefkianakis – Non executive Member (05/05/2009 – 28/12/2009)  
Iason Stratos – Non executive Member (until 28/12/2009)  
Elisabeth Typaldou-Loverdou – Non executive Member (until 28/12/2009)

### Registered Office:

8A Chimarras Str.  
15121 Maroussi, Greece

### Registration number:

2443/06/B/86/23

### Auditors:

PricewaterhouseCoopers S.A.  
268 Kifissias Ave.  
152 32 Halandri  
Greece

## Statement of Financial Position

|  |      | As at            |                  |
|--|------|------------------|------------------|
|  | Note | 31 December 2010 | 31 December 2009 |
| <b>ASSETS</b>                              |      |                  |                  |
| <b>Non-current assets</b>                  |      |                  |                  |
| Property, plant and equipment              | 6    | 1.901.566        | 1.307.928        |
| Intangible assets                          | 7    | 9.971            | 11.801           |
| Investments in affiliated companies        | 8    | 689.718          | 695.948          |
| Deferred income tax assets                 | 18   | 21.701           | 10.231           |
| Available-for-sale financial assets        |      | 41               | 21               |
| Loans, advances and other receivables      | 9    | 1.406            | 1.313            |
|  |      | <b>2.624.403</b> | <b>2.027.242</b> |
| <b>Current assets</b>                      |      |                  |                  |
| Inventories                                | 10   | 1.425.693        | 1.211.492        |
| Trade and other receivables                | 11   | 765.858          | 785.964          |
| Held to maturity securities                | 12   | 167.968          | -                |
| Cash and cash equivalents                  | 13   | 220.000          | 127.809          |
|  |      | <b>2.579.519</b> | <b>2.125.265</b> |
| <b>Total assets</b>                        |      | <b>5.203.922</b> | <b>4.152.507</b> |
| <b>EQUITY</b>                              |      |                  |                  |
| Share capital                              | 14   | 1.020.081        | 1.020.081        |
| Reserves                                   | 15   | 495.063          | 501.980          |
| Retained Earnings                          |      | 392.397          | 392.899          |
| <b>Total equity</b>                        |      | <b>1.907.541</b> | <b>1.914.960</b> |
| <b>LIABILITIES</b>                         |      |                  |                  |
| <b>Non- current liabilities</b>            |      |                  |                  |
| Borrowings                                 | 17   | 815.142          | 259.673          |
| Retirement benefit obligations             | 19   | 107.917          | 114.670          |
| Long term derivatives                      | 21   | 66.296           | 37.253           |
| Provisions and other long term liabilities | 20   | 23.729           | 27.729           |
|  |      | <b>1.013.084</b> | <b>439.325</b>   |
| <b>Current liabilities</b>                 |      |                  |                  |
| Trade and other payables                   | 16   | 1.377.367        | 913.476          |
| Current income tax liabilities             |      | 99.326           | 2.204            |
| Borrowings                                 | 17   | 803.604          | 879.709          |
| Dividends payable                          |      | 3.000            | 2.833            |
|  |      | <b>2.283.297</b> | <b>1.798.222</b> |
| <b>Total liabilities</b>                   |      | <b>3.296.381</b> | <b>2.237.547</b> |
| <b>Total equity and liabilities</b>        |      | <b>5.203.922</b> | <b>4.152.507</b> |

The Notes on pages 11 to 52 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 February 2011.

A. Giannitsis

J. Costopoulos

A. Shiamishis

I. Letsios

Chairman of the Board

Chief Executive Officer

Chief Financial Officer

Accounting Director

## Statement of Comprehensive Income

|   |      | For the year ended |                  |
|---|------|--------------------|------------------|
|   | Note | 31 December 2010   | 31 December 2009 |
| <b>Sales</b>  |      | <b>7.681.580</b>   | <b>6.172.586</b> |
| Cost of sales   |      | (7.193.483)        | (5.739.442)      |
| <b>Gross profit</b>   |      | <b>488.097</b>     | <b>433.144</b>   |
| Selling, distribution and administrative expenses                         | 23   | (186.922)          | (185.283)        |
| Exploration and development expenses                                      | 24   | (20.660)           | (15.439)         |
| Other operating income/(expenses) - net                                   | 25   | 2.228              | (13.043)         |
| Dividend income   |      | 11.879             | 17.110           |
| <b>Operating profit</b>   |      | <b>294.622</b>     | <b>236.489</b>   |
| Finance (expenses)/income -net  | 26   | (32.561)           | (15.745)         |
| Currency exchange (losses)/gains  | 27   | (14.308)           | (1.730)          |
| <b>Profit/(loss) before income tax</b>                                    |      | <b>247.753</b>     | <b>219.014</b>   |
| Income tax expense  | 28   | (93.800)           | (56.498)         |
| <b>Profit/(loss) for the year</b>   |      | <b>153.953</b>     | <b>162.516</b>   |
| <b>Other comprehensive income:</b>  |      |                    |                  |
| Unrealised gains/(losses) on revaluation of hedges                        | 15   | (25.188)           | 7.425            |
| <b>Other Comprehensive (loss) / income for the year, net of tax</b>       |      | <b>(25.188)</b>    | <b>7.425</b>     |
| <b>Total comprehensive income for the year</b>                            |      | <b>128.765</b>     | <b>169.941</b>   |
| <b>Basic and diluted earnings per share (expressed in Euro per share)</b> | 29   | <b>0,50</b>        | <b>0,53</b>      |

The Notes on pages 11 to 52 are an integral part of these financial statements.

## Statement of Changes in Equity

|  | Note | Share<br>Capital | Reserves        | Retained<br>Earnings | Total<br>Equity  |
|--|------|------------------|-----------------|----------------------|------------------|
| <b>Balance at 1 January 2009</b>                     |      | <b>1.020.081</b> | <b>489.407</b>  | <b>371.901</b>       | <b>1.881.389</b> |
| Unrealised gains / (losses) on revaluation of hedges | 15   | -                | 7.425           | -                    | 7.425            |
| <b>Other comprehensive income</b>                    |      | <b>-</b>         | <b>7.425</b>    | <b>-</b>             | <b>7.425</b>     |
| Profit for the year                                  |      | -                | -               | 162.516              | 162.516          |
| <b>Total comprehensive income for the year</b>       |      | <b>-</b>         | <b>7.425</b>    | <b>162.516</b>       | <b>169.941</b>   |
| Share based payments                                 | 14   | -                | 1.166           | -                    | 1.166            |
| Transfers to statutory and tax reserves              | 15   | -                | 3.982           | (3.982)              | -                |
| Dividends relating to 2008 and to interim 2009       |      | -                | -               | (137.536)            | (137.536)        |
| <b>Balance at 31 December 2009</b>                   |      | <b>1.020.081</b> | <b>501.980</b>  | <b>392.899</b>       | <b>1.914.960</b> |
| Unrealised gains / (losses) on revaluation of hedges | 15   | -                | (25.188)        | -                    | (25.188)         |
| <b>Other comprehensive income / (loss)</b>           |      | <b>-</b>         | <b>(25.188)</b> | <b>-</b>             | <b>(25.188)</b>  |
| Profit for the year                                  |      | -                | -               | 153.953              | 153.953          |
| <b>Total comprehensive income for the year</b>       |      | <b>-</b>         | <b>(25.188)</b> | <b>153.953</b>       | <b>128.765</b>   |
| Share based payments                                 | 14   | -                | 1.352           | -                    | 1.352            |
| Transfers to statutory and tax reserves              | 15   | -                | 16.919          | (16.919)             | -                |
| Dividends relating to 2009 and to interim 2010       |      | -                | -               | (137.536)            | (137.536)        |
| <b>Balance at 31 December 2010</b>                   |      | <b>1.020.081</b> | <b>495.063</b>  | <b>392.397</b>       | <b>1.907.541</b> |

The Notes on pages 11 to 52 are an integral part of these financial statements.

## Statement of Cash flows

|  |      | For the year ended |                  |
|--|------|--------------------|------------------|
|  | Note | 31 December 2010   | 31 December 2009 |
| <b>Cash flows from operating activities</b>                                  |      |                    |                  |
| Cash (used in) / generated from operations                                   | 31   | 654.331            | 139.353          |
| Income and other taxes paid  |      | (1.425)            | (5.196)          |
| <b>Net cash generated from operating activities</b>                          |      | <b>652.906</b>     | <b>134.157</b>   |
| <b>Cash flows from investing activities</b>                                  |      |                    |                  |
| Purchase of property, plant and equipment & intangible assets                | 6,7  | (676.754)          | (524.617)        |
| Grants received  |      | 131                | 3.899            |
| Dividends received   |      | 11.844             | 18.448           |
| Interest received  | 26   | 4.273              | 10.201           |
| Participation in share capital decrease / (increase) of affiliated companies |      | 6.230              | (674)            |
| Purchases of available-for-sale financial assets                             |      | (20)               | -                |
| <b>Net cash used in investing activities</b>                                 |      | <b>(654.296)</b>   | <b>(492.743)</b> |
| <b>Cash flows from financing activities</b>                                  |      |                    |                  |
| Interest paid  | 26   | (37.024)           | (25.121)         |
| Dividends paid   |      | (137.369)          | (137.901)        |
| Purchases of held-to-maturity financial assets                               | 12   | (167.968)          | -                |
| Repayments of borrowings   |      | (324.542)          | (1.278.270)      |
| Proceeds from borrowings   |      | 762.253            | 1.412.776        |
| <b>Net cash generated from / used in financing activities</b>                |      | <b>95.350</b>      | <b>(28.516)</b>  |
| <b>Net increase / (decrease) in cash &amp; cash equivalents</b>              |      | <b>93.960</b>      | <b>(387.102)</b> |
| <b>Cash &amp; cash equivalents at beginning of the year</b>                  | 13   | <b>127.809</b>     | <b>520.232</b>   |
| Exchange gains on cash & cash equivalents                                    |      | (1.769)            | (5.321)          |
| Net increase / (decrease) in cash & cash equivalents                         |      | 93.960             | (387.102)        |
| <b>Cash &amp; cash equivalents at end of the year</b>                        | 13   | <b>220.000</b>     | <b>127.809</b>   |

The Notes on pages 11 to 52 are an integral part of these financial statements.

## Notes to the financial statements

### 1 General information

Hellenic Petroleum S.A. (the “Company”) operates in the oil industry with its principal activities being those of refining of crude oil and sale of oil products, and the production and trading of petrochemical products. The Company is also engaged in exploration and production of hydrocarbons.

The Company is incorporated in Greece and the address of its registered office is 8<sup>A</sup> Chimarras Str. Marousi, Greece. The shares of the Company are listed on the Athens Stock Exchange and the London Stock Exchange through GDNs.

The same accounting policies and recognition and measurement principles are followed in these financial statements as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2010. The Company’s functional and presentation currency is the Euro, and the financial information in these financial statements is expressed in thousands of Euro (unless otherwise stated).

The financial statements of Hellenic Petroleum S.A. for year ended 31 December 2010 were approved for issue by the Board of Directors on 24 February 2011. The shareholders of the Company have the power to amend the financial statements after issue.

Users of these stand-alone financial statements should read them together with the Group's consolidated financial statements for the year ended 31 December 2010 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole. These are located on the Group’s website: [www.helpe.gr](http://www.helpe.gr).

## 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### 2.1 Basis of preparation

The financial statements of Hellenic Petroleum S.A. for the year ended 31 December 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"). The European Union ("EU") has adopted all IFRS that were issued by the IASB and are effective for the year ended 31 December 2010, with the exception of certain provisions of IAS 39 that have no effect in these financial statements. As such, these financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as with International Financial Reporting Standards issued by the IASB.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 "Critical accounting estimates and judgments". These estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### 2.1.1 Changes in accounting policies and disclosures

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current reporting period and subsequent reporting periods. The Company's evaluation of the effect of new standards, amendments to standards and interpretations that are relevant to its operations is set out below.

- a) The following new standards, amendments to standards and interpretations to existing standards are applicable to the Company for periods on or after 1 January 2010:
- *IAS 24 (Amendment) 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011)*. This amendment attempts to relax disclosures of transactions between government-related entities and clarify related-party definition. More specifically, it removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, clarifies and simplifies the definition of a related party and requires the disclosure not only of the relationships, transactions and outstanding balances between related parties, but of commitments as well in both the consolidated and the individual financial statements. The Company will apply these changes from their effective date.
  - *IFRS 3 (Revised) 'Business Combinations' and IAS 27 (Amended) 'Consolidated and Separate Financial Statements'*. The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss. The amended IAS 27 requires a change in ownership interest of a subsidiary to be accounted for as an equity transaction. The amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Furthermore the acquirer in a business combination has the option of measuring the non-controlling interest, at the acquisition date, either at fair value or at the amount of the percentage of the non-controlling interest over the net assets acquired. The Company has applied the revised and amended standards from 1 January 2010.



- *IFRS 7 (Amendment) “Financial Instruments: Disclosures” – transfers of financial assets (effective for annual periods beginning on or after 1 July 2011).* This amendment sets out disclosure requirements for transferred financial assets not derecognised in their entirety as well as on transferred financial assets derecognised in their entirety but in which the reporting entity has continuing involvement. It also provides guidance on applying the disclosure requirements. This amendment has not yet been endorsed by the EU.
  - *IFRS 9 ‘Financial Instruments’ (effective for annual periods beginning on or after 1 January 2013).* IFRS 9 is the first part of Phase 1 of the Board’s project to replace IAS 39. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. IFRS 9 states that financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Subsequently financial assets are measured at amortised cost or fair value and depend on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 prohibits reclassifications except in rare circumstances when the entity’s business model changes; in this case, the entity is required to reclassify affected financial assets prospectively. IFRS 9 classification principles indicate that all equity investments should be measured at fair value. However, management has an option to present in other comprehensive income unrealised and realised fair value gains and losses on equity investments that are not held for trading. Such designation is available on initial recognition on an instrument-by-instrument basis and is irrevocable. There is no subsequent recycling of fair value gains and losses to profit or loss; however, dividends from such investments will continue to be recognised in profit or loss. IFRS 9 removes the cost exemption for unquoted equities and derivatives on unquoted equities but provides guidance on when cost may be an appropriate estimate of fair value. The Company is currently investigating the impact of IFRS 9 on its financial statements. The Company cannot currently early adopt IFRS 9 as it has not been endorsed by the EU. Only once approved will the Company decide if IFRS 9 will be adopted prior to 1 January 2013.
- b) The following amendments to standards and interpretations to existing standards are mandatory for the Company’s accounting periods beginning on or after 1 January 2010 or later periods but without any significant impact to the Company’s operations:
- IAS 32 (Amendment) ‘Financial Instruments: Presentation’ (effective for annual periods beginning on or after 1 February 2010)
  - IAS 39 (Amendment) ‘Financial Instruments: ‘Recognition and Measurement’
  - IFRS 2 (Amendment) ‘Share-based Payment’
  - IFRIC 12 – Service Concession Arrangements (EU endorsed for periods beginning on or after 30 March 2009)
  - IFRIC 14 (Amendment) ‘The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, (effective for annual periods beginning on or after 1 January 2011)
  - IFRIC 17 “Distributions of non-cash assets to owners” (EU endorsed for periods beginning on or after 1 July 2009)
  - IFRIC 18 “Transfers of assets from customers” (EU-endorsed for use annual periods beginning on or after 1 November 2009)
  - IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after 1 July 2010)
  - Amendments to standards were issued in July 2009 following the publication of the results of the IASB’s annual improvements project. The effective dates vary by standard, but most are effective for

annual periods beginning on or after 1 January 2010. The amendments will not have a material impact on the Company's interim consolidated financial information.

- Amendments to standards were issued in May 2010 following the publication of the results of the IASB's 2010 annual improvements project. The effective dates vary by standard, but most are effective for annual periods beginning on or after 1 January 2011. The amendments will not have a material impact on the Company's financial statements.
- c) The following amendments to standards and interpretations to existing standards are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods but are not applicable to the Company's operations:
- IAS 12 (Amendment) "Income Taxes" (effective for annual periods beginning on or after 1 January 2012). This amendment has not yet been endorsed by the EU.
  - IFRIC 15 - Agreements for the construction of real estate (EU endorsed for use from 1 January 2010)
  - IFRIC 16 - Hedges of a net investment in a foreign operation (EU endorsed for use from 1 July 2009)

## **2.2 Investments in affiliated companies**

Investments in affiliated companies are presented at the cost of the interest acquired in the subsidiaries, associates, and joint ventures less any provisions for impairment.

## **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

## **2.4 Foreign currency translation**

### *(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Euros, which is the Company's functional and presentation currency.

### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences

on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

## **2.5 Property, plant and equipment**

Land and buildings comprise mainly plant and offices. All property, plant and equipment is shown at historical cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement as incurred. Refinery refurbishment costs are deferred and charged against income on a straight line basis over the scheduled refurbishment period.

Land is not depreciated. Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as shown on the table below for the main classes of assets:

|   |               |
|---|---------------|
| – Land  | Nil           |
| – Buildings   | 13 – 20 years |
| – Specialised industrial installations              | 10 – 25 years |
| – Machinery, equipment and transportation equipment | 5 – 8 years   |
| – Furniture and fixtures                            | 4 – 8 years   |
| – Computer hardware                                 | 3 – 5 years   |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement within 'Other income / (expenses) – net'.

### *Capitalisation of borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Borrowing costs are capitalised to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. All other borrowing costs are expensed.

## **2.6 Intangible assets**

### *(a) Licences and rights*

License fees for the use of know-how relating to the polypropylene plant have been capitalised in accordance with IAS 38, Intangible Assets. They have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is being calculated using the straight-line method to allocate the cost of licences and rights over their estimated useful lives (15 years).

Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant licenses.

*(b) Computer software*

These include primarily the costs of implementing the (ERP) computer software program. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their estimated useful lives (3 years).

## **2.7 Exploration for and Evaluation of Mineral Resources**

*(a) Exploration and evaluation assets*

During the exploration period and before a commercial viable discovery, oil and natural gas exploration and evaluation expenditures are expensed. Geological and geophysical costs as well as costs directly associated with an exploration are expensed as incurred. Exploration property leasehold acquisition costs are capitalized within intangible assets and amortised over the period of the licence or in relation to the progress of the activities if there is a substantial difference.

*(b) Development of tangible and intangible assets*

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells is capitalized within tangible and intangible assets according to their nature. When development is completed on a specific field, it is transferred to production assets. No depreciation and/or amortization is charged during the development phase.

*(c) Oil and gas production assets*

Oil and gas properties are aggregated exploration and evaluation tangible assets and development expenditures associated with the production of proved reserves.

*(d) Depreciation/amortization*

Oil and gas properties/intangible assets are depreciated/amortized using the unit-of-production method. Unit-of-production rates are based on proved developed reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

*(e) Impairment – exploration and evaluation assets*

The exploration property leasehold acquisition costs are tested for impairment whenever facts and circumstances indicate impairment. For the purposes of assessing impairment, the exploration property leasehold acquisition costs subject to testing are grouped with existing cash-generating units (CGUs) of production fields that are located in the same geographical region corresponding to each licence.

*(f) Impairment – proved oil and gas properties and intangible assets*

Proved oil and gas properties and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## **2.8 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and, are tested annually for impairment. Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in

circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (discounted cash flows an asset is expected to generate based upon management's expectations of future economic and operating conditions). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.9 Financial assets**

The Company classifies its investments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

### **2.9.1 Classification**

#### *(a) Financial assets at fair value through profit or loss*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as 'held for trading' unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

#### *(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

#### *(c) Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

#### *(d) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

### **2.9.2 Recognition and measurement**

Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expressed in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available for sale financial assets are subsequently carried at cost less impairment as the equity instruments can not be reliably measured. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they have arisen. Changes in the fair value of monetary and non-monetary financial assets classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as "gains or loss from investment securities".

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis refined to reflect the issuer's specific circumstances.

### **2.9.3 Impairment of financial assets**

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

If there is objective evidence that an impairment loss on held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Impairment testing of trade receivables is described in Note 2.13.

### **2.10 Derivative financial instruments and hedging activities**

As part of its risk management policy, the Company utilizes financial and commodity derivatives to mitigate the impact of future price volatility. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In 2006, the Company has entered into derivative contracts that have been designated as cash flow hedges. The effective portion of changes in the fair value of these derivatives is recognized in equity. The gain or loss relating

to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (i.e. when the forecast transaction being hedged takes place).

When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within “Other operating income / (expense)”.

The derivatives that are not designated as hedges and do not qualify for hedge accounting are classified as held-for-trading and accounted for at fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognized immediately in the statement of comprehensive income within “Other operating (expenses)/income – net”, or in “Cost of Sales” (refer to Note 21).

## **2.11 Government grants**

Investment and development grants related to Property, Plant and Equipment received by the Company are initially recorded as deferred government grants and included in “Provisions and other long term liabilities”. Subsequently, they are credited to income over the useful lives of the related assets in direct relationship to the depreciation charged on such assets.

## **2.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Cost of inventories is determined using the monthly weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads.

## **2.13 Trade receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Trade receivables include bills of exchange and promissory notes from customers.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income and is included in Selling, Distribution and Administrative expenses.

## **2.14 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments such as marketable securities and time deposits with original maturities of three months or less.

## **2.15 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

## **2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. At the end of the reporting period payable amounts of bank overdrafts are included within borrowings in current liabilities on the statement of financial position. In the statement of cash flows, bank overdrafts are shown within financing activities.

## **2.17 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

## **2.18 Employee benefits**

### *(a) Pension obligations*

The Company has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.



For defined contribution plans, the Company pays contributions to publicly administered Social Security funds on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. None of the Company's defined benefit plans are funded.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

*(b) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

*(c) Share-based compensation*

The Company operates an equity-settled share-based compensation plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, at the date of granting. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting period end, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

## **2.19 Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently are measured at amortised cost and using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

## **2.20 Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

## **2.21 Environmental liabilities**

Environmental expenditure that relates to current or future revenues is expensed or capitalised as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

The Company has an environmental policy which complies with existing legislation and all obligations resulting from its environmental and operational licences. In order to comply with all rules and regulations the Group has set up a monitoring mechanism in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements. The above mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

## **2.22 Revenue recognition**

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised as follows:

### *(a) Sales of goods – wholesale*

Revenue on sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales of goods are recognised when the Company has delivered the products to the customer; the customer has accepted the products; and collectability of the related receivables is reasonably assured.

### *(c) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

### *(d) Dividend income*

Dividend income is recognised when the right to receive payment is established.

## **2.23 Leases**

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

The Company does not presently have any leases that are classified as finance leases.

Leases where the lessors retain substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

## **2.24 Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

## **2.25 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# **3 Financial risk management**

## **3.1 Financial risk factors**

The Company's activities are primarily centred around its Downstream Oil & Gas assets; secondary or new activities relate to Petrochemicals, exploration of hydrocarbons and power generation and trading. As such, the Company is exposed to a variety of financial and commodity markets risks including foreign exchange and commodity price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. In line with international best practices and within the context of local markets and legislative framework, the Company's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Company to the extent possible.

Commodity price risk management is supervised by a Risk Management Committee which includes Finance and Trading departments' Senior Management. Non commodity price risk management is carried out by the Finance Department under policies approved by the Board of Directors. The Finance Department identifies and evaluates financial risks in close co-operation with the Company's operating units.

*(a) Market risk*

*(i) Foreign exchange risk*

Foreign currency exchange risk arises on three types of exposure:

- **Balance sheet translation risk:** Most of the inventory held by the Company is reported in Euro while its underlying value is determined in USD. Thus, a possible devaluation of the USD against the Euro

leads to a reduction in the realisable value of inventory included in the balance sheet. In order to manage this risk, significant part of the Company funding is denominated in USD providing an opposite effect to the one described above. It should be noted however, that while in the case of USD devaluation the impact on the statement of financial position is mitigated, in cases of USD appreciation the mark to market valuation of such loans leads to a reported loss under foreign exchange differences with no compensating benefit as stocks continue to be included in the balance sheet at cost. The exposure at any point in time is clearly given by the amounts shown in the statement of financial position and the related disclosures. It is estimated, that at 31 December 2010 if the Euro had weakened against the US dollar by 5% with all other variables held constant, pre-tax profits would have been €18 million lower.

- **Gross Margin transactions and translation risk:** The fact that most of the transactions in crude oil and oil products are based on international Platt's USD prices leads to exposure in terms of the Gross Margin translated in Euro. Recent market volatility has impacted adversely on the cost of mitigating this exposure; as a result the Company did not actively hedge material amounts of the Gross margin exposure. This exposure is linearly related to the Gross margin of the Company in that the appreciation of Euro vs. USD leads to a respective translation loss on the period results.
- **Local subsidiaries exposure:** Where the Company operates in non Euro markets there is an additional exposure in terms of cross currency translation between USD (price base), Euro reporting currency and local currency. Where possible the Company seeks to manage this exposure by either transferring the exposure for pooling at Group levels or by taking protection in local currency. Although material for local subsidiaries operations, the overall exposure is not considered material for the Company.

(ii) Commodity price risk

The Company's primary activity as a refiner creates two types of commodity price exposures; exposure to crude oil and oil products price levels which affect the value of inventory and exposure to refining margins which in turn affect the future cash flows of the business.

In the case of price risk, the level of exposure is determined by the amount of priced inventory carried at the end of the reporting period. In periods of sharp price decline, as Company policy is to report its inventory at the lower of historical cost and net realisable value, results are affected by the reduction in the carrying value of the inventory. The extent of the exposure relates directly to the level of stocks and rate of price decrease. This exposure is partly hedged with paper derivatives to the extent that the cost of such instruments is considered positive, from a risk – return point of view.

Refining margin exposure relates to the absolute level of margin generated by the operation of the refineries. This is determined by Platt's prices and varies on a daily basis; as an indication of the impact to the Company financial results, a change in the refinery margins has a proportionate impact on the Company's profitability. Where possible, the Company aims to hedge 10%-50% of each of the various components of its expected production. This, however, is not possible to do in all market conditions and as a result only a small part of the price risk is effectively hedged. The sensitivity of the fair value of the open derivative contracts affecting profits to an immediate 10% increase or decrease in all reference prices, would have been €1.1 million at 31 December 2010. This figure does not include any corresponding economic impact that would arise from the natural business exposure, which would be expected to largely offset the gain or the loss on the derivatives.

(iii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, while borrowings issued at fixed rates expose the Company to fair value interest rate risk. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR), has a proportionate impact on the Company results. At 31 December 2010, if interest rates on US dollar denominated borrowings had been 0,5% higher with all other variables held constant, pre-tax profit for the year would have been €2,9 million lower. At 31 December 2010, if interest rates on Euro denominated borrowings had been 0,5% higher with all other variables held constant, post-tax profit for the year would have been €1,6 million lower.

*(b) Credit risk*

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The table below shows the segregation of trade receivables:

|                                   | <b>As at</b>            |                         |
|-----------------------------------|-------------------------|-------------------------|
|                                   | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Current balance                   | 522.745                 | 552.549                 |
| Past due but not impaired balance | 66.575                  | 194.874                 |
| Impaired balance                  | 92.170                  | 86.796                  |
|                                   | <b>681.490</b>          | <b>834.219</b>          |
| <b>Allowance for bad debts</b>    | <b>80.527</b>           | <b>64.227</b>           |

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

As of 31 December 2010 and 2009, the ageing analysis of receivables that were past due but not impaired, is as follows:

|               | <b>As at</b>            |                         |
|---------------|-------------------------|-------------------------|
|               | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Up to 30 days | 34.222                  | 34.582                  |
| 30 - 90 days  | 14.609                  | 26.637                  |
| Over 90 days  | 17.744                  | 133.655                 |
| <b>Total</b>  | <b>66.575</b>           | <b>194.874</b>          |

As of 31 December 2010 and 2009, the ageing analysis of receivables that were individually impaired is as follows

|               | <b>As at</b>            |                         |
|---------------|-------------------------|-------------------------|
|               | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Up to 30 days | -                       | -                       |
| 30 - 90 days  | -                       | -                       |
| Over 90 days  | 92.170                  | 86.796                  |
| <b>Total</b>  | <b>92.170</b>           | <b>86.796</b>           |

The individually impaired receivables mainly relate to wholesalers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

*(c) Liquidity risk*

Prudent liquidity risk management entails maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in its funding through the use of committed credit facilities.

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|                                  | <b>Less than 1<br/>year</b> | <b>Between 1<br/>and 2 years</b> | <b>Between 2<br/>and 5 years</b> | <b>Over 5 years</b> |
|----------------------------------|-----------------------------|----------------------------------|----------------------------------|---------------------|
| <b>31 December 2010</b>          |                             |                                  |                                  |                     |
| Borrowings                       | 803.604                     | -                                | 815.142                          | -                   |
| Derivative financial instruments | 24.003                      | 33.952                           | 32.344                           | -                   |
| Trade and other payables         | 1.353.364                   | -                                | -                                | -                   |
| <b>31 December 2009</b>          |                             |                                  |                                  |                     |
| Borrowings                       | 879.709                     | 2.814                            | 256.859                          | -                   |
| Derivative financial instruments | 26.536                      | 12.430                           | 24.823                           | -                   |
| Trade and other payables         | 886.940                     | -                                | -                                | -                   |

### **3.2 Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the statement of financial position) less "Cash & Cash equivalents", "Available for Sale Financial Assets" and "Held-to-maturity securities". Total capital employed is calculated as "Total Equity" as shown in the statement of financial position plus net debt.

During 2010 the Company strategy which was unchanged from 2009, was to maintain the gearing ratio between 20% - 45%.

The gearing ratios at 31 December 2010 and 2009 were as follows:

|   | <b>As at</b>            |                         |
|---|-------------------------|-------------------------|
|   | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Total Borrowings (Note 17)                  | 1.618.746               | 1.139.382               |
| Less: Cash & Cash Equivalents (Note 13)     | (220.000)               | (127.809)               |
| Less: Available for sale financial assets   | (41)                    | (21)                    |
| Less: Held-to-maturity securities (Note 12) | (167.968)               | -                       |
| <b>Net debt</b>                             | <b>1.230.737</b>        | <b>1.011.552</b>        |
| Total Equity                                | 1.907.541               | 1.914.960               |
| <b>Total Capital Employed</b>               | <b>3.138.278</b>        | <b>2.926.512</b>        |
| Gearing ratio                               | 39%                     | 35%                     |

The increase in the gearing ratio resulted primarily from the increase in liquid funds required to finance the construction phase of the Refineries' Upgrade projects in Elefsina and Thessaloniki.

### 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2010:

|                              | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total balance</b> |
|------------------------------|----------------|----------------|----------------|----------------------|
| <b>Assets</b>                |                |                |                |                      |
| Derivatives held for trading | -              | 12.715         | -              | 12.715               |
| Derivatives used for hedging | -              | -              | -              | -                    |
|                              | <b>-</b>       | <b>12.715</b>  | <b>-</b>       | <b>12.715</b>        |
| <b>Liabilities</b>           |                |                |                |                      |
| Derivatives held for trading | -              | 21.137         | -              | 21.137               |
| Derivatives used for hedging | -              | 69.162         | -              | 69.162               |
|                              | <b>-</b>       | <b>90.299</b>  | <b>-</b>       | <b>90.299</b>        |

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market

transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

## **4 Critical accounting estimates and judgements**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *(a) Income taxes*

Estimates are required in determining the provision for income taxes that the Company is subjected to. This requires significant judgement. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### *(b) Provision for environmental restoration*

The Company operates in the oil industry with its principal activities being that of exploration and production of hydrocarbons, refining of crude oil and sale of oil products, and the production and trading of petrochemical products. Environmental damage caused by such substances may require the Company to incur restoration costs to comply with the regulations in the various jurisdictions in which the Company operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Company together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognised as a provision in the Company's financial statements. When the final determination of such obligation amounts differs from the recognised provisions, the Company's statement of comprehensive income is impacted.



*(c) Fair value of derivatives and other financial instruments*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

*(d) Held-to-maturity investments*

The group follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the group evaluates its intention and ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would, therefore, be measured at fair value not amortised cost.

*(e) Estimated impairment of investments and other non-financial assets*

The Company tests annually whether investments and non-financial assets have suffered any impairment in accordance with its accounting policies. Significant judgement is involved in management's determination of these estimates.

*(f) Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/ (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 19.

*(g) Provisions for legal claims*

The Company has a number of legal claims pending against it. Management assesses the likely outcome of these claims and if it is more likely than not that the Company will lose a claim, then a provision is made. Provisions for legal claims, if required, are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. This requires judgement.

## 5 Segment information

Management has determined the operating segments based on the reports reviewed by the executive committee, that reviews the Company's internal reporting in order to assess performance and allocate resources. The committee considers the business from a number of measures which may vary depending on the nature and evolution of a business segment by taking into account the risk profile, cash flow, product and market considerations.

The Company is organised into three main business segments determined in accordance with the type of business activity:

1. Supply, refining and trading (Refining)
2. Exploration & production (E&P)
3. Petrochemicals

| <b>Year ended 31 December 2010</b>                    | <b>Refining</b> | <b>Petro-chemicals</b> | <b>Exploration &amp; Production</b> | <b>Other</b>  | <b>Total</b>   |
|---|-----------------|------------------------|-------------------------------------|---------------|----------------|
| Sales   | 7.327.044       | 352.967                | 726                                 | 843           | 7.681.580      |
| Other operating income / (expense) - net              | 190             | 2.038                  | -                                   | -             | 2.228          |
| <b>Operating profit / (loss)</b>                      | <b>282.208</b>  | <b>26.735</b>          | <b>(25.156)</b>                     | <b>10.835</b> | <b>294.622</b> |
| Currency exchange gains / (losses)                    | (14.308)        | -                      | -                                   | -             | (14.308)       |
| <b>Profit / (loss) before tax &amp; finance costs</b> | <b>267.900</b>  | <b>26.735</b>          | <b>(25.156)</b>                     | <b>10.835</b> | <b>280.314</b> |
| Finance costs - net                                   |                 |                        |                                     |               | (32.561)       |
| <b>Profit before income tax</b>                       |                 |                        |                                     |               | <b>247.753</b> |
| Income tax (expense)/credit                           |                 |                        |                                     |               | (93.800)       |
| <b>Profit for the year</b>                            |                 |                        |                                     |               | <b>153.953</b> |

| <b>Year ended 31 December 2009</b>                    | <b>Refining</b> | <b>Petro-chemicals</b> | <b>Exploration &amp; Production</b> | <b>Other</b>  | <b>Total</b>   |
|---|-----------------|------------------------|-------------------------------------|---------------|----------------|
| Sales   | 5.915.930       | 256.401                | 255                                 | -             | 6.172.586      |
| Other operating income / (expense) - net              | (15.096)        | 2.053                  | -                                   | -             | (13.043)       |
| <b>Operating profit / (loss)</b>                      | <b>250.318</b>  | <b>(2.379)</b>         | <b>(26.687)</b>                     | <b>15.237</b> | <b>236.489</b> |
| Currency exchange gains / (losses)                    | (1.730)         | -                      | -                                   | -             | (1.730)        |
| <b>Profit / (loss) before tax &amp; finance costs</b> | <b>248.588</b>  | <b>(2.379)</b>         | <b>(26.687)</b>                     | <b>15.237</b> | <b>234.759</b> |
| Finance costs - net                                   |                 |                        |                                     |               | (15.745)       |
| <b>Loss before income tax</b>                         |                 |                        |                                     |               | <b>219.014</b> |
| Income tax credit/(expense)                           |                 |                        |                                     |               | (56.498)       |
| <b>Profit for the year</b>                            |                 |                        |                                     |               | <b>162.516</b> |

- Net operating profits of the petrochemicals segment during the year resulted from internationally improved margins for polypropylene.

**Further segmental information as at 31 December 2010 is as follows:**

|                             | <b>Refining</b> | <b>Petro-chemicals</b> | <b>Exploration &amp; Production</b> | <b>Other</b> | <b>Total</b>     |
|-----------------------------|-----------------|------------------------|-------------------------------------|--------------|------------------|
| Total Assets                | 4.978.538       | 200.181                | 3.502                               | 21.701       | <b>5.203.922</b> |
| Total Liabilities           | 3.013.654       | 179.763                | 638                                 | 102.326      | <b>3.296.381</b> |
| Net Assets                  | 1.964.884       | 20.418                 | 2.864                               | (80.625)     | <b>1.907.541</b> |
| Capital Expenditure         | 670.882         | 5.872                  | -                                   | -            | <b>676.754</b>   |
| Depreciation & Amortisation | 67.096          | 12.243                 | 682                                 | -            | <b>80.021</b>    |

**Further segmental information as at 31 December 2009 is as follows:**

|                             | <b>Refining</b> | <b>Petro-chemicals</b> | <b>Exploration &amp; Production</b> | <b>Other</b> | <b>Total</b>     |
|-----------------------------|-----------------|------------------------|-------------------------------------|--------------|------------------|
| Total Assets                | 3.978.517       | 161.018                | 2.741                               | 10.231       | <b>4.152.507</b> |
| Total Liabilities           | 2.071.637       | 160.873                | -                                   | 5.037        | <b>2.237.547</b> |
| Net Assets                  | 1.906.880       | 145                    | 2.741                               | 5.194        | <b>1.914.960</b> |
| Capital Expenditure         | 523.317         | 1.300                  | -                                   | -            | <b>524.617</b>   |
| Depreciation & Amortisation | 61.342          | 12.341                 | 3.849                               | -            | <b>77.532</b>    |

## 6 Property, plant and equipment

|   | Land           | Buildings      | Plant & Machinery | Motor vehicles | Furniture and fixtures | Assets Under Construction | Total            |
|---|----------------|----------------|-------------------|----------------|------------------------|---------------------------|------------------|
| <b>Cost</b>                               |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2009</b>               | <b>108.020</b> | <b>159.944</b> | <b>1.254.362</b>  | <b>9.169</b>   | <b>50.386</b>          | <b>330.859</b>            | <b>1.912.740</b> |
| Additions                                 | 1.884          | 1.432          | 453               | 909            | 4.574                  | 514.726                   | 523.978          |
| Capitalised projects                      | -              | 20.092         | 135.157           | -              | 518                    | (155.767)                 | -                |
| Disposals                                 | -              | (6)            | (787)             | -              | (238)                  | -                         | (1.031)          |
| Transfers & other movements               | -              | -              | -                 | -              | -                      | (5.428)                   | (5.428)          |
| <b>As at 31 December 2009</b>             | <b>109.904</b> | <b>181.462</b> | <b>1.389.185</b>  | <b>10.078</b>  | <b>55.240</b>          | <b>684.390</b>            | <b>2.430.259</b> |
| <b>Accumulated Depreciation</b>           |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2009</b>               | -              | <b>93.034</b>  | <b>920.978</b>    | <b>8.018</b>   | <b>35.463</b>          | -                         | <b>1.057.493</b> |
| Charge for the year                       | -              | 7.591          | 53.144            | 360            | 4.723                  | -                         | 65.818           |
| Disposals                                 | -              | (4)            | (738)             | -              | (238)                  | -                         | (980)            |
| Transfers & other movements               | -              | -              | -                 | -              | -                      | -                         | -                |
| <b>As at 31 December 2009</b>             | -              | <b>100.621</b> | <b>973.384</b>    | <b>8.378</b>   | <b>39.948</b>          | -                         | <b>1.122.331</b> |
| <b>Net Book Value at 31 December 2009</b> | <b>109.904</b> | <b>80.841</b>  | <b>415.801</b>    | <b>1.700</b>   | <b>15.292</b>          | <b>684.390</b>            | <b>1.307.928</b> |
| <b>Cost</b>                               |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2010</b>               | <b>109.904</b> | <b>181.462</b> | <b>1.389.185</b>  | <b>10.078</b>  | <b>55.240</b>          | <b>684.390</b>            | <b>2.430.259</b> |
| Additions                                 | -              | 116            | 614               | 394            | 5.138                  | 670.420                   | 676.682          |
| Capitalised projects                      | -              | 7.321          | 25.969            | 53             | 6.433                  | (39.776)                  | -                |
| Disposals                                 | -              | -              | (5.302)           | -              | (12)                   | (4.917)                   | (10.231)         |
| Transfers & other movements               | -              | -              | -                 | -              | -                      | (3.136)                   | (3.136)          |
| <b>As at 31 December 2010</b>             | <b>109.904</b> | <b>188.899</b> | <b>1.410.466</b>  | <b>10.525</b>  | <b>66.799</b>          | <b>1.306.981</b>          | <b>3.093.574</b> |
| <b>Accumulated Depreciation</b>           |                |                |                   |                |                        |                           |                  |
| <b>As at 1 January 2010</b>               | -              | <b>100.621</b> | <b>973.384</b>    | <b>8.378</b>   | <b>39.948</b>          | -                         | <b>1.122.331</b> |
| Charge for the period                     | -              | 7.924          | 60.468            | 389            | 6.190                  | -                         | 74.971           |
| Disposals                                 | -              | -              | (5.282)           | -              | (12)                   | -                         | (5.294)          |
| <b>As at 31 December 2010</b>             | -              | <b>108.545</b> | <b>1.028.570</b>  | <b>8.767</b>   | <b>46.126</b>          | -                         | <b>1.192.008</b> |
| <b>Net Book Value at 31 December 2010</b> | <b>109.904</b> | <b>80.354</b>  | <b>381.896</b>    | <b>1.758</b>   | <b>20.673</b>          | <b>1.306.981</b>          | <b>1.901.566</b> |

- (1) The Company has not pledged any property, plant and equipment as security for borrowings.
- (2) Within the balance of Assets Under Construction at 31 December 2010 an amount of € 836 million (2009: €256 million) relates to costs in respect of the upgrade of the Elefsina refinery. The project is expected to be completed by the end of 2011. Any potential delays during the engineering, procurement or construction phase will have equivalent effects on the project completion date.
- (3) During 2010 an amount of €21,8 million (2009: €2,9 million) in respect of interest has been capitalized in relation to Assets under construction relating to the refining segment, at an average borrowing rate of 2,8% (2009: 2,0%).

## 7 Intangible assets

|   | Computer<br>software | Licences &<br>Rights | Total         |
|---|----------------------|----------------------|---------------|
| <b>Cost</b>                               |                      |                      |               |
| <b>As at 1 January 2009</b>               | <b>52.521</b>        | <b>21.551</b>        | <b>74.072</b> |
| Additions                                 | 639                  | -                    | 639           |
| Transfers, acquisitions & other movements | 3.072                | 2.358                | 5.430         |
| <b>As at 31 December 2009</b>             | <b>56.232</b>        | <b>23.909</b>        | <b>80.141</b> |
| <b>Accumulated Amortisation</b>           |                      |                      |               |
| <b>As at 1 January 2009</b>               | <b>46.431</b>        | <b>10.195</b>        | <b>56.626</b> |
| Charge for the year                       | 7.024                | 4.690                | 11.714        |
| <b>As at 31 December 2009</b>             | <b>53.455</b>        | <b>14.885</b>        | <b>68.340</b> |
| <b>Net Book Value 31 December 2009</b>    | <b>2.777</b>         | <b>9.024</b>         | <b>11.801</b> |
| <b>Cost</b>                               |                      |                      |               |
| <b>As at 1 January 2010</b>               | <b>56.232</b>        | <b>23.909</b>        | <b>80.141</b> |
| Additions                                 | 72                   | -                    | 72            |
| Transfers, acquisitions & other movements | 3.148                | -                    | 3.148         |
| <b>As at 31 December 2010</b>             | <b>59.452</b>        | <b>23.909</b>        | <b>83.361</b> |
| <b>Accumulated Amortisation</b>           |                      |                      |               |
| <b>As at 1 January 2010</b>               | <b>53.455</b>        | <b>14.885</b>        | <b>68.340</b> |
| Charge for the year                       | 3.312                | 1.738                | 5.050         |
| <b>As at 31 December 2010</b>             | <b>56.767</b>        | <b>16.623</b>        | <b>73.390</b> |
| <b>Net Book Value at 31 December 2010</b> | <b>2.685</b>         | <b>7.286</b>         | <b>9.971</b>  |

Licenses and rights include Upstream Exploration rights which are amortised over the period of the exploration period as per the terms of the relevant EPSA rounds. Details of the accounting policy are given in Note 2.6 & 2.7.

## 8 Investment in affiliated companies

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| <b>Beginning of the year</b>                           | <b>695,948</b>   | <b>707,838</b>   |
| (Decrease) / Increase in share capital of subsidiaries | (6,230)          | (11,890)         |
| <b>End of the year</b>                                 | <b>689,718</b>   | <b>695,948</b>   |

| Name  | Participating interest | Country of<br>Incorporation |
|---|------------------------|-----------------------------|
| Asprofos SA                                       | 100,0%                 | Greece                      |
| Diaxon ABEE                                       | 100,0%                 | Greece                      |
| EKO Georgia LTD                                   | 1,0%                   | Rep. of Georgia             |
| EKO ABEE  | 100,0%                 | Greece                      |
| ELPET Vulkaniki SA                                | 63,0%                  | Greece                      |
| HELPE - Apollon Shipping Co                       | 100,0%                 | Greece                      |
| HELPE International AG                            | 100,0%                 | Austria                     |
| HELPE - Poseidon Shipping Co                      | 100,0%                 | Greece                      |
| HELPE Finance Plc                                 | 100,0%                 | United Kingdom              |
| Helpe Renewable Energy Sources S.A.               | 100,0%                 | Greece                      |
| Global Albania SA                                 | 99,9%                  | Albania                     |
| Public Gas Corporation of Greece S.A. (DEPA)      | 35,0%                  | Greece                      |
| ARTENIUS S.A.                                     | 35,0%                  | Greece                      |
| Athens Airport Fuel Pipeline Company S.A. (EAKAA) | 50,0%                  | Greece                      |
| ELPEDISON B.V.                                    | 5,0%                   | Netherlands                 |
| Thraki SA   | 25,0%                  | Greece                      |
| VANCO   | 100,0%                 | Greece                      |
| EANT  | 9,0%                   | Greece                      |
| STPC  | 16,7%                  | Greece                      |
| NAPC  | 16,7%                  | Greece                      |
| Greek Association of Independent Energy Producers | 16,7%                  | Greece                      |

For 2010 the decrease in share capital relates to Poseidon Shipping Co and Apollon Shipping Co.

For 2009 the decrease in share capital relates to ELPET Vulkaniki S.A.

## 9 Loans, advances and other receivables

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Loans and advances and other long term assets | 1,406            | 1,313            |
| <b>Total</b>                                  | <b>1,406</b>     | <b>1,313</b>     |

## 10 Inventories

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Crude oil   | 688.125          | 546.056          |
| Refined products and semi-finished products       | 643.803          | 576.612          |
| Petrochemicals                                    | 34.598           | 28.847           |
| Consumable materials and other                    | 72.578           | 72.288           |
| - Less: Provision for Consumables and spare parts | (13.411)         | (12.311)         |
| <b>Total</b>                                      | <b>1.425.693</b> | <b>1.211.492</b> |

The cost of goods sold included in “Cost of sales” for 2010 is equal to €6,8 billion (2009: €5,4 billion).

The amount of the write-down of inventories (stock devaluation) recognized as an expense in 2010 and included in “Cost of sales” is equal to €0,5 million (2009: €2,9 million).

## 11 Trade and other receivables

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Trade receivables                               | 522.745          | 552.549          |
| - Less: Provision for impairment of receivables | (80.527)         | (64.227)         |
| <b>Trade receivables net</b>                    | <b>442.218</b>   | <b>488.322</b>   |
| Other receivables                               | 306.789          | 295.054          |
| - Less: Provision for impairment of receivables | (10.283)         | (8.083)          |
| <b>Other receivables net</b>                    | <b>296.506</b>   | <b>286.971</b>   |
| Derivatives held for trading (Note 21)          | 12.715           | -                |
| Deferred charges and prepayments                | 14.419           | 10.671           |
| <b>Total</b>                                    | <b>765.858</b>   | <b>785.964</b>   |

The carrying amounts of the receivables approximate their fair value.

Other receivables include balances in respect of VAT, income tax prepayment and advances to personnel.

The movement in the provision for impairment of trade receivables is set out below.

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| <b>Balance at 1 January</b>                   | 64.227           | 59.857           |
| Charged / (credited) to the income statement: |                  |                  |
| - Additional provisions                       | 16.300           | 5.870            |
| - Unused amounts reversed                     | -                | (1.500)          |
| <b>Balance at 31 December</b>                 | <b>80.527</b>    | <b>64.227</b>    |

The movement in the provision for impairment has been included in Selling, Distribution and Administration costs in the statement of comprehensive income.

## 12 Held-to-maturity investments

|                              | As at            |                  |
|------------------------------|------------------|------------------|
|                              | 31 December 2010 | 31 December 2009 |
| Held-to-maturity investments | 167.968          | -                |
| <b>Total</b>                 | <b>167.968</b>   | <b>-</b>         |

Held-to-maturity investments are short-term government bonds issued on the 30 December 2010 by Ministry of Finance to repay trade receivables. Their carrying amount approximates their fair value.

## 13 Cash and cash equivalents

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| Cash at Bank and in Hand               | 88.193           | 36.744           |
| Short term bank deposits               | 131.807          | 91.065           |
| <b>Total cash and cash equivalents</b> | <b>220.000</b>   | <b>127.809</b>   |

The weighted average effective interest rate as at the reporting date on cash and cash equivalents was:

|      | As at            |                  |
|------|------------------|------------------|
|      | 31 December 2010 | 31 December 2009 |
| Euro | -                | 1,28%            |
| USD  | 0,32%            | 0,18%            |

## 14 Share capital

|  | Number of<br>Shares<br>(authorised<br>and issued) | Share<br>Capital | Share<br>premium | Total     |
|--|---|------------------|------------------|-----------|
| As at 1 January 2009& 31 December 2009 | 305.635.185                                       | 666.285          | 353.796          | 1.020.081 |
| As at 31 December 2010                 | 305.635.185                                       | 666.285          | 353.796          | 1.020.081 |

All ordinary shares were authorised, issued and fully paid. The nominal value of each ordinary share is €2,18 (31 December 2009: €2,18).

### *Share options*

During the AGM of Hellenic Petroleum S.A. held on 25 May 2005, a new share option scheme was approved, based on years 2005 – 2007, with the intention to link the number of share options granted to employees with the results and performance of the Company and its management. The AGM of Hellenic Petroleum S.A. of 31 May 2006 has approved and granted stock options for the year 2005 of 272.100 shares. The AGM of 17 May 2007 has approved and granted stock options for the year 2006 of 408.015 shares. The AGM of 14 May 2008 has approved and granted stock options for the year 2007 of 385.236 shares and extended the scheme for an additional base year, namely 2008. The AGM of 3 June 2009 has approved and granted stock options for the year 2008 of 1.704.716 shares and extended the scheme for 2009. The vesting period is 1 November to 5 December of the years 2008 – 2012, 2009 – 2013, 2010 – 2014 and 2011 – 2015 for each of the base years 2005, 2006, 2007 and 2008 respectively.



Following the Board Decision of 27 April 2010, the AGM of Hellenic Petroleum held on 2 June 2010 approved the non – granting of any stock options for the year 2009, as a result of the adverse macroeconomic environment and extended the scheme for an additional base year, 2010, for which the vesting period will commence in 2012. The total number of stock options approved during the original AGM of 25 May 2005 has not been altered by the subsequent extensions to the scheme.

As at 31 December 2010 only the stock options granted in 2006, 2007 and 2008 were exercisable. No stock options have been exercised during 2010, or during the previous year, due to the negative relationship between the exercise price and the share market price during the respective vesting periods (1 November to 5 December).

The movement in share options during the year were:

|                       | As at            |                  |                  |                  |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | 31 December 2010 |                  | 31 December 2009 |                  |
|                       | Average          |                  | Average          |                  |
|                       | Exercise         |                  | Exercise         |                  |
|                       | Price in €       |                  | Price in €       |                  |
|                       | per share        | Options          | per share        | Options          |
| <b>At 1 January</b>   | <b>8,77</b>      | <b>2.770.067</b> | <b>10,63</b>     | <b>1.065.351</b> |
| Granted               | -                | -                | 7,62             | 1.704.716        |
| Exercised             | -                | -                | -                | -                |
| Lapsed                | 10,89            | (49.117)         | -                | -                |
| <b>At 31 December</b> | <b>8,74</b>      | <b>2.720.950</b> | <b>8,77</b>      | <b>2.770.067</b> |

Share options outstanding at the year end have the following expiry date and exercise prices:

| Expiry Date     | Exercise Price<br>in € per share | No. of share options as at |                  |
|-----------------|----------------------------------|----------------------------|------------------|
|                 |                                  | 31 December 2010           | 31 December 2009 |
| 5 December 2012 | 9,69                             | 268.658                    | 272.100          |
| 5 December 2013 | 10,88                            | 397.815                    | 408.015          |
| 5 December 2014 | 11,01                            | 349.761                    | 385.236          |
| 5 December 2015 | 7,62                             | 1.704.716                  | 1.704.716        |
| <b>Total</b>    |                                  | <b>2.720.950</b>           | <b>2.770.067</b> |

The average remaining contractual life of stock options outstanding at 31 December 2010 and 2009 was 4,30 and 4,93 years respectively.

The total expense recognised in the statement of comprehensive income for share based compensation is €1.352 (2009: €1.166).

## 15 Reserves

|   | Statutory<br>reserve | Special<br>reserves | Hedging<br>reserve | Share-based<br>payment<br>reserve | Tax<br>reserves | Total          |
|---|----------------------|---------------------|--------------------|-----------------------------------|-----------------|----------------|
| <b>Balance at 1 January 2009</b>                          | <b>97.829</b>        | <b>86.495</b>       | <b>(36.479)</b>    | -                                 | <b>341.562</b>  | <b>489.407</b> |
| Fair value gains / (losses) on cash flow hedges (Note 21) | -                    | -                   | 7.425              | -                                 | -               | 7.425          |
| Share-based payments (Note 14)                            | -                    | -                   | -                  | 1.166                             | -               | 1.166          |
| Transfers from retained earnings (Law 3299/04)            | -                    | -                   | -                  | -                                 | 1.147           | 1.147          |
| Transfer to statutory reserves                            | 2.835                | -                   | -                  | -                                 | -               | 2.835          |
| <b>Balance at 31 December 2009</b>                        | <b>100.664</b>       | <b>86.495</b>       | <b>(29.054)</b>    | <b>1.166</b>                      | <b>342.709</b>  | <b>501.980</b> |
| Cash flow hedges (Note 21):                               | -                    | -                   | -                  | -                                 | -               | -              |
| - Fair value gains / (losses) on cash flow hedges         | -                    | -                   | (34.759)           | -                                 | -               | (34.759)       |
| - De-recognition of 2011 hedges                           | -                    | -                   | 9.571              | -                                 | -               | 9.571          |
| Share-based payments (Note 14)                            | -                    | -                   | -                  | 1.352                             | -               | 1.352          |
| Transfers from retained earnings (Law 3299/04)            | -                    | -                   | -                  | -                                 | 8.613           | 8.613          |
| Transfer to statutory reserves                            | 8.306                | -                   | -                  | -                                 | -               | 8.306          |
| <b>Balance at 31 December 2010</b>                        | <b>108.970</b>       | <b>86.495</b>       | <b>(54.242)</b>    | <b>2.518</b>                      | <b>351.322</b>  | <b>495.063</b> |

The year end hedging reserve is shown net of tax of €6.723 (2009: €2.136) – refer to Note 28.

### *Statutory reserves*

Under Greek law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a statutory reserve until such reserve equals one third of outstanding share capital. This reserve cannot be distributed during the existence of the corporation, but can be used to offset accumulated losses.

### *Special reserves*

Special reserves primarily relate to reserves arising from tax revaluations which have been included in the holding company accounts in accordance with the relevant legislation in prior years. Where considered appropriate deferred tax provisions are booked in respect of these reserves.

### *Tax free reserves*

Tax free reserves include:

- (i) Tax reserves are retained earnings which have not been taxed with the prevailing corporate income tax rate as allowed by Greek law under various statutes. Certain of these retained earnings will become liable to tax at the rate prevailing at the time of distribution to shareholders or conversion to share capital. Distributions to shareholders and conversions to share capital are not normally anticipated to be made through these reserves.
- (ii) Partially taxed reserves are retained earnings, which have been taxed at a rate less than the corporate tax rate as allowed by Greek law. Certain of these retained earnings will be subject to the remaining tax up to the corporate tax rate prevailing at the time of distribution to shareholders or conversion to share capital.

## 16 Trade and other payables

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| Trade payables                         | 1.303.146        | 825.600          |
| Accrued Expenses                       | 12.462           | 21.069           |
| Derivatives held for trading (Note 21) | 24.003           | 26.536           |
| Other payables                         | 37.756           | 40.271           |
| <b>Total</b>                           | <b>1.377.367</b> | <b>913.476</b>   |

Other payables include amounts in respect of payroll and other staff related costs, social security obligations and sundry taxes.

## 17 Borrowings

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| <b>Non-current borrowings</b>                |                  |                  |
| Bank borrowings                              | 815.142          | 259.673          |
| <b>Non-current borrowings</b>                | <b>815.142</b>   | <b>259.673</b>   |
| <b>Current borrowings</b>                    |                  |                  |
| Short term bank borrowings                   | 803.604          | 870.787          |
| Current portion of long-term bank borrowings | -                | 8.922            |
| <b>Total current borrowings</b>              | <b>803.604</b>   | <b>879.709</b>   |
| <b>Total borrowings</b>                      | <b>1.618.746</b> | <b>1.139.382</b> |

The maturity of non-current borrowings is as follows:

|                       | As at            |                  |
|-----------------------|------------------|------------------|
|                       | 31 December 2010 | 31 December 2009 |
| Between 1 and 2 years | 0                | 2.814            |
| Between 2 and 5 years | 815.142          | 256.859          |
|                       | <b>815.142</b>   | <b>259.673</b>   |

The weighted average effective interest margins as at the reporting date were as follows:

|                              | <b>As at<br/>31 December 2010</b> |             |
|------------------------------|-----------------------------------|-------------|
|                              | <b>€</b>                          | <b>US\$</b> |
| Bank Borrowings (short-term) |                                   |             |
| - Floating Euribor + margin  | 3,99%                             | -           |
| - Floating Libor + margin    | -                                 | 0,86%       |
| Bank Borrowings (long-term)  |                                   |             |
| - Floating Euribor + margin  | 1,15%                             | -           |
| - Floating Libor + margin    | -                                 | 0,86%       |
|                              | <b>As at<br/>31 December 2009</b> |             |
|                              | <b>€</b>                          | <b>US\$</b> |
| Bank Borrowings (short-term) |                                   |             |
| - Floating Euribor + margin  | 2,59%                             | -           |
| - Floating Libor + margin    | -                                 | 1,83%       |
| Bank Borrowings (long-term)  |                                   |             |
| - Floating Euribor + margin  | 1,34%                             | -           |
| - Floating Libor + margin    | -                                 | 1,83%       |

The carrying amounts of the Company's borrowings which approximate their fair value are denominated in the following currencies:

|                         | <b>As at</b>            |                         |
|-------------------------|-------------------------|-------------------------|
|                         | <b>31 December 2010</b> | <b>31 December 2009</b> |
| Euro                    | 1.043.982               | 606.271                 |
| US dollar               | 574.764                 | 533.111                 |
| <b>Total borrowings</b> | <b>1.618.746</b>        | <b>1.139.382</b>        |

In April 2006, the Company concluded a €400 million multi-currency loan agreement with Hellenic Petroleum Finance Plc ("HPF"), a subsidiary of the Group in order to refinance existing financial indebtedness and for general corporate purposes. The loan facility amount was increased to €600 million on 18 October 2006 and to €1 billion on 18 October 2007. In April 2010 the loan facility amount was increased €1.5 billion. As at 31 December 2010, the outstanding loan balance with HPF amounted to the equivalent of €926 million (US\$768 million and €351 million).

On 26 May 2010, the Company signed two loan agreements with the European Investment Bank for a total amount of €400 million (€200 million each). The loans have a maturity of 12 years. The purpose of the loans is to finance part of the investment programme relating to the upgrade of Elefsina Refinery. As at 31 December 2010, the outstanding loan balance amounted to €400 million.

Loans with various banks are also utilised to cover the Company's financing needs. As at 31 December 2010, the outstanding loan balance amounted to €293 million.

The loan analysis is as follows:

|                           | As at            |                  |
|---------------------------|------------------|------------------|
|                           | 31 December 2010 | 31 December 2009 |
| Revolving Credit Facility | 803.604          | 879.709          |
| Term loans                | 815.142          | 259.673          |
| <b>Total borrowings</b>   | <b>1.618.746</b> | <b>1.139.382</b> |

## 18 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are presented below.

The gross movement in the deferred income tax asset/ (liability) is as follows:

|  | As at            |                  |
|--|------------------|------------------|
|  | 31 December 2010 | 31 December 2009 |
| Beginning of the year                            | 10.231           | 61.465           |
| Income statement recovery / (charge)             | 4.747            | (49.149)         |
| Charged / (released) to equity & other movements | 6.723            | (2.085)          |
| <b>End of year</b>                               | <b>21.701</b>    | <b>10.231</b>    |

Deferred tax relates to the following types of deductible (taxable) temporary differences:

|  | As at               |                     |
|--|---------------------|---------------------|
|  | 31 December 2010    | 31 December 2009    |
| Intangible and tangible fixed assets             | (25.986)            | (21.264)            |
| Inventory valuation                              | 3.085               | 2.832               |
| Unrealised exchange gains                        | 6.058               | (7.667)             |
| Employee benefits provision                      | 20.609              | 21.862              |
| Derivative financial instruments at fair value   | 17.874              | 20.218              |
| Other temporary differences                      | 61                  | (5.750)             |
| <b>Net deferred income tax asset/(liability)</b> | <b>21.701</b>       | <b>10.231</b>       |
| <br><b>Deferred income tax liabilities</b>       | <br><b>(54.350)</b> | <br><b>(62.702)</b> |
| <br><b>Deferred income tax assets</b>            | <br><b>76.051</b>   | <br><b>72.933</b>   |

Deferred tax in relation to special or tax free reserves is calculated to the extent that the Company believes it is more likely than not to be incurred and is entered in the related accounts.

## 19 Retirement benefit obligations

|                                       | As at            |                  |
|---------------------------------------|------------------|------------------|
|                                       | 31 December 2010 | 31 December 2009 |
| <b>Balance sheet obligations for:</b> |                  |                  |
| Pension benefits                      | 107.917          | 114.670          |
| <b>Total as per balance sheet</b>     | <b>107.917</b>   | <b>114.670</b>   |

|                                      | Year ended       |                  |
|--------------------------------------|------------------|------------------|
|                                      | 31 December 2010 | 31 December 2009 |
| <b>Income statement charge for:</b>  |                  |                  |
| Pension benefits                     | 18.193           | 56.631           |
| <b>Total as per income statement</b> | <b>18.193</b>    | <b>56.631</b>    |

The amounts recognised in the balance sheet are as follows:

|   | As at            |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Present value of unfunded benefit obligations | 131.457          | 151.130          |
| Unrecognised actuarial gains / (losses)       | (20.347)         | (33.021)         |
| Unrecognised prior service cost               | (3.193)          | (3.439)          |
| <b>Liability in the Balance Sheet</b>         | <b>107.917</b>   | <b>114.670</b>   |

The amounts recognised in the income statements are as follows:

|   | Year ended       |                  |
|---|------------------|------------------|
|   | 31 December 2010 | 31 December 2009 |
| Current service cost                                  | 7.305            | 7.681            |
| Interest cost   | 7.730            | 8.684            |
| Net actuarial (gains) / losses recognised in the year | 1.310            | 1.759            |
| Past service cost                                     | 246              | 1.357            |
| <b>Regular profit &amp; loss charge</b>               | <b>16.591</b>    | <b>19.481</b>    |
| Additional cost of extra benefits                     | 1.602            | 37.150           |
| <b>Total included in employee benefit expense</b>     | <b>18.193</b>    | <b>56.631</b>    |

The movement in liability recognised in the balance sheet is as follows:

|  | 31 December 2010 | 31 December 2009 |
|--|------------------|------------------|
| Beginning of the year                              | 114.670          | 123.496          |
| Total expense included in employee benefit expense | 18.193           | 56.631           |
| Payments   | (24.946)         | (65.457)         |
| <b>Total</b>                                       | <b>107.917</b>   | <b>114.670</b>   |

The principal actuarial assumptions used were as follows:

|                                      | As at            |                  |
|--------------------------------------|------------------|------------------|
|                                      | 31 December 2010 | 31 December 2009 |
| Discount Rate                        | 4,50%            | 5,80%            |
| Future Salary Increases              | 2,00%            | 4,50%            |
| Average future working life in years | 12,6             | 11,4             |

Included in Pension costs for 2009 are the additional costs incurred regarding the VRS scheme (Note 25).

## 20 Provisions and other long term liabilities

|                             | As at<br>31 December 2010 | 31 December 2009 |
|-----------------------------|---------------------------|------------------|
| Government grants           | 20.595                    | 23.595           |
| Litigation & tax provisions | 3.000                     | 4.000            |
| Other provisions            | 134                       | 134              |
| <b>Total</b>                | <b>23.729</b>             | <b>27.729</b>    |

The movement for provisions and other long term liabilities for 2009 and 2010 is as follows:

|   | Govern-<br>ment<br>advances<br>and grants | Litigation<br>& tax<br>provisions | Other<br>provisions | Total         |
|---|---|-----------------------------------|---------------------|---------------|
| <b>At 1 January 2009</b>                      | <b>26.431</b>                             | <b>5.000</b>                      | <b>134</b>          | <b>31.565</b> |
| Charged / (credited) to the income statement: |   |                                   |                     |               |
| - Additional provisions / grants              | 592                                       | -                                 | -                   | 592           |
| - Unused amounts reversed                     | -   | (1.000)                           | -                   | (1.000)       |
| Used during year                              | (3.428)                                   | -                                 | -                   | (3.428)       |
| <b>At 31 December 2009</b>                    | <b>23.595</b>                             | <b>4.000</b>                      | <b>134</b>          | <b>27.729</b> |
| Charged / (credited) to the income statement: |   |                                   |                     |               |
| - Additional provisions / grants              | 131                                       | -                                 | -                   | 131           |
| - Unused amounts reversed                     | -   | (1.000)                           | -                   | (1.000)       |
| Used during year                              | (3.131)                                   | -                                 | -                   | (3.131)       |
| Exchange differences                          | -   | -                                 | -                   | -             |
| <b>At 31 December 2010</b>                    | <b>20.595</b>                             | <b>3.000</b>                      | <b>134</b>          | <b>23.729</b> |

### *Government advances*

Advances by the Government (Hellenic State) relate to property, plant and equipment.

### *Environmental costs*

No material provision for environmental remediation is included in the accounts as the Company has a policy for addressing environmental issues (Note 2.21).

### *Other provisions*

Amounts included in other provisions and long term liabilities relate to sundry operating items and risks arising from the Company's ordinary activities.

## **21 Fair values of derivative financial instruments**

### **Derivatives held for trading**

In the context of managing risk resulting from the volatility in the inventory values of products and crude oil, the Company enters into derivative contracts. To the extent that these contracts are not designated as hedges, they are categorized as derivatives held-for-trading. The fair value of derivatives held-for-trading is recognized on the balance sheet in “Trade and other debtors” and “Trade and other payables” if the maturity is less than 12 months and in “Loans, advances and other receivables” and “Other long term liabilities” if the maturity is more than 12 months. Changes in the fair value of these derivatives are charged to the Income Statement either within Other (expenses)/income or Cost of sales.

The instruments used for risk management include commodity exchange traded contracts (ICE futures), full refinery margin forwards, product price forward contracts or options.

As part of managing operating and price risk, the Company engages in derivative transactions with 3<sup>rd</sup> parties with the intention of matching physical positions and trades or close proxies thereof and are therefore considered an integral part of “Cost of Sales”. During 2010 the amounts attributable to such derivatives were €2.296 gain (2009: €47.930 loss) and are included in “Cost of Sales”.

In certain cases it may not be possible to achieve a fully matched position, in which case the impact can not be considered as a “Cost of Sales” component. The result from such derivative positions in 2010 € 11.895 loss (2009: €15.297 loss) and is shown under “Other operating (expenses) / income – net” (see Note 25).

### **Derivatives designated as cash flow hedges**

The Company uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices. In this framework, the Company has entered into a number of commodity price swaps which have been designated by the Company as cash flow hedges, have been evaluated and proven to be highly effective, and in this respect, any changes in their fair value are recorded within Equity. The fair value of the Commodity swaps at the balance sheet date was recognised in “Long term derivatives”, while changes in their fair value are recorded in reserves as long as the forecasted purchase of inventory is highly probable and the cash flow hedge is effective as defined in IAS 39.

When certain of the forecasted transactions cease to be highly probable, they are de-designated from cash flow hedges at which time amounts charged to reserves are transferred to the statement of comprehensive income within “other income/expense”. As at 31 December 2010 amounts transferred to the statement of comprehensive income for de-designated hedges amounted to €9.571 loss net of tax (31 December 2009: €0) which relate to projected transactions for the Elefsina refinery upgrade in 2011. The remaining cash flow hedges are highly effective and the movement in the fair value of these derivatives, amounting to a loss of €34.759 net of tax (2009: €7.425 gain), was transferred to the “Hedging Reserve”.



The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

**Derivatives held for Trading**

| Commodity Derivative type | 31 December 2010 |                 |               |               | 31 December 2009 |                 |          |               |
|---------------------------|------------------|-----------------|---------------|---------------|------------------|-----------------|----------|---------------|
|                           | Notional Amount  |                 | Assets        | Liabilities   | Notional Amount  |                 | Assets   | Liabilities   |
|                           | <u>MT'000</u>    | <u>Bbls'000</u> | €             | €             | <u>MT'000</u>    | <u>Bbls'000</u> | €        | €             |
| Commodity Swaps           | 2.460            | -               | 12.715        | 21.137        | 550              | 3.840           | -        | 26.536        |
|                           | <b>2.460</b>     | <b>-</b>        | <b>12.715</b> | <b>21.137</b> | <b>550</b>       | <b>3.840</b>    | <b>-</b> | <b>26.536</b> |

**Derivatives designated as Cash Flow Hedges**

| Commodity Derivative type | 31 December 2010 |                 |               |               | 31 December 2009 |                 |          |               |
|---------------------------|------------------|-----------------|---------------|---------------|------------------|-----------------|----------|---------------|
|                           | Notional Amount  |                 | Assets        | Liabilities   | Notional Amount  |                 | Assets   | Liabilities   |
|                           | <u>MT'000</u>    | <u>Bbls'000</u> | €             | €             | <u>MT'000</u>    | <u>Bbls'000</u> | €        | €             |
| Commodity Swaps           | 1.440            | -               | -             | 69.162        | 2.100            | -               | -        | 37.253        |
|                           | <b>1.440</b>     | <b>-</b>        | <b>-</b>      | <b>69.162</b> | <b>2.100</b>     | <b>-</b>        | <b>-</b> | <b>37.253</b> |
| <b>Total</b>              |                  |                 | <b>12.715</b> | <b>90.299</b> |                  |                 | <b>-</b> | <b>63.789</b> |

|                                | 31 December 2010 |               | 31 December 2009 |               |
|--------------------------------|------------------|---------------|------------------|---------------|
|                                | Assets           | Liabilities   | Assets           | Liabilities   |
| <b>Non-current portion</b>     |                  |               |                  |               |
| Commodity swaps                | -                | 66.296        | -                | 37.253        |
|                                | -                | <b>66.296</b> | -                | <b>37.253</b> |
| <b>Current portion</b>         |                  |               |                  |               |
| Commodity swaps (Notes 11, 16) | 12.715           | 24.003        | -                | 26.536        |
|                                | <b>12.715</b>    | <b>24.003</b> | <b>-</b>         | <b>26.536</b> |
| <b>Total</b>                   | <b>12.715</b>    | <b>90.299</b> | <b>-</b>         | <b>63.789</b> |

## 22 Employee benefit expenses

|                           | For the year ended |                  |
|---------------------------|--------------------|------------------|
|                           | 31 December 2010   | 31 December 2009 |
| Wages and salaries        | 153.139            | 154.250          |
| Social security costs     | 27.301             | 25.874           |
| Pension costs             | 17.677             | 52.032           |
| Other employment benefits | 34.244             | 32.054           |
| <b>Total</b>              | <b>232.361</b>     | <b>264.210</b>   |

Included in Pension costs for 2009 are the additional costs incurred regarding the voluntary retirement scheme (Note 25).

Included in Other employment benefits are medical insurance, catering, and transportation expenses. The value of share – based compensation of €1.352 (2009: €1.166) is included therein (see Note 14).

## 23 Selling, distribution and administrative expenses

|                                   | For the year ended |                  |
|-----------------------------------|--------------------|------------------|
|                                   | 31 December 2010   | 31 December 2009 |
| Selling and distribution expenses | 92.297             | 93.477           |
| Administrative expenses           | 94.625             | 91.806           |
|                                   | <b>186.922</b>     | <b>185.283</b>   |

## 24 Exploration and development expenses

Exploration and development expenses comprise expenditure associated with the Company's exploration activities as an operator in one block in western Egypt and in another block in southern Egypt in a joint venture with Melrose and Kuwait Energy through the Hellenic Petroleum branch in Egypt. As these projects are still in the exploration phase, all amounts spent are expensed (2010: €20.660 and 2009: €15.439).

## 25 Other operating income / (expenses)

|  | For the year ended |                  |
|--|--------------------|------------------|
|  | 31 December 2010   | 31 December 2009 |
| Income from grants                         | 3.131              | 3.428            |
| Gains on derivative financial instruments  | 11.460             | 9.329            |
| Losses on derivative financial instruments | (11.895)           | (20.103)         |
| Services to third parties                  | 1.802              | 473              |
| Rental income                              | 2.379              | 629              |
| Voluntary retirement scheme cost           | -                  | (29.954)         |
| Other income / (expense)                   | (4.649)            | 23.155           |
| <b>Total</b>                               | <b>2.228</b>       | <b>(13.043)</b>  |

- (i) Other operating (expenses) / income – net include amongst other items income or expenses which do not represent trading activities of the Company. Also included in Other Operating (Expenses) / Income are gains / (losses) from derivative positions not directly associated with operating activities (Note 21).

## 26 Finance costs - net

|                                      | For the year ended |                  |
|--------------------------------------|--------------------|------------------|
|                                      | 31 December 2010   | 31 December 2009 |
| Interest income                      | 4.273              | 10.201           |
| Interest expense and similar charges | (36.199)           | (25.121)         |
| Accrued interest                     | (635)              | (825)            |
| <b>Finance costs - net</b>           | <b>(32.561)</b>    | <b>(15.745)</b>  |

In addition to the finance cost shown above, an amount of €21,8 million in 2010 (2009: €2,9 million) has been capitalized as further explained in Note 6.

## 27 Currency exchange gains / (losses)

Currency exchange losses of €14m for the year ended 31 December 2010 are mostly driven by marked-to-market losses on US\$ denominated loans of €42 million due to the strengthening of the Dollar against Euro taking place in the first half of 2010, which were partly set off by net realized and unrealized gains of €29 million from the translation of trade payables and receivables balances. The Company opts to borrow funds in USD in order to finance the acquisition of US\$ denominated crude oil stocks and as a result a Euro-related compensating benefit is included in the gross margin.

## 28 Income tax expense

|                        | <b>For the year ended</b> |                         |
|------------------------|---------------------------|-------------------------|
|                        | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| Current tax            | 98.547                    | 7.349                   |
| Deferred tax (Note 18) | (4.747)                   | 49.149                  |
| <b>Total</b>           | <b>93.800</b>             | <b>56.498</b>           |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the company, as follows:

|  | <b>For the year ended</b> |                         |
|--|---------------------------|-------------------------|
|  | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| <b>Profit / (loss) before Tax</b>                  | <b>247.753</b>            | <b>219.014</b>          |
| Tax calculated at tax rates applicable to profits  | 59.461                    | 54.754                  |
| Tax on income not subject to tax                   | (29.583)                  | (27.742)                |
| Tax on expenses not deductible for tax purposes    | 35.514                    | 18.586                  |
| Additional one-off tax on 2009 profits (L.3845/10) | 21.409                    | -                       |
| Income tax on preliminary dividend 2010            | 12.225                    | -                       |
| Other  | (5.226)                   | 10.900                  |
| <b>Tax Charge / (Credit)</b>                       | <b>93.800</b>             | <b>56.498</b>           |

The basic tax rate was 24% for the period ending 31 December 2010 (25% for the year ending 31 December 2009).

In 2009 a new tax law (L3697/2009) was enacted on the base of which income tax rates for the fiscal years 2010, 2010, 2011, 2012, 2013 and periods after 1 January 2014 would be 24%, 23%, 22%, 21% and 20% respectively. These rates have been used for deferred tax calculations as at 31 December 2010.

Income tax charge for 2010 has been affected by two items:

a) Special contribution

In line with L.3845/10 a special contribution on the profits for 2009 has been provided for.

b) Provision for tax on interim dividend

In line with law 3842/10, for the years starting from 1/1/2010, distributed earnings attract a total income tax of 40%. Specifically for the year 2010, this means a top-up of 16% over the normal corporate tax rate of 24%. Even-though a recent law proposal changes the treatment of distributed earnings, given that this has not been enacted yet, an accrual amounting to €12.225 for the incremental tax for interim dividend has been provided for. If the proposed law is enacted before dividends are approved by the AGM, then this amount will be amended accordingly in 2011.

The tax (charge) / credit relating to components of other comprehensive income, is as follows:

|                                   | For the year ended         |              |                 |                            |                |              |
|-----------------------------------|----------------------------|--------------|-----------------|----------------------------|----------------|--------------|
|                                   | 31 December 2010           |              |                 | 31 December 2009           |                |              |
|                                   | Tax<br>(charge)/<br>credit |              |                 | Tax<br>(charge)/<br>credit |                |              |
|                                   | Before tax                 |              | After tax       | Before tax                 |                | After tax    |
| Cash flow hedges                  | (31.911)                   | 6.723        | (25.188)        | 9.560                      | (2.136)        | 7.424        |
| <b>Other comprehensive income</b> | <b>(31.911)</b>            | <b>6.723</b> | <b>(25.188)</b> | <b>9.560</b>               | <b>(2.136)</b> | <b>7.424</b> |

## 29 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

|   | For the year ended |                  |
|---|--------------------|------------------|
|   | 31 December 2010   | 31 December 2009 |
| <b>Earnings per share attributable to the Company Shareholders<br/>(expressed in Euro per share):</b> | <b>0,50</b>        | <b>0,53</b>      |
| Net income attributable to ordinary shares<br>(Euro in thousands)                                     | 153.953            | 162.516          |
| Average number of ordinary shares outstanding   | 305.635.185        | 305.635.185      |

Diluted earnings per share were the same as basic earnings per share.

## 30 Dividends per share

A proposal to the AGM for an additional €0,30 per share as final dividend for 2008 (amounting to a total of €91.691) was approved by the Board of Directors on 26 February 2009 and the final approval was given by the shareholders at the AGM held on 3 June 2009.

At its meeting held on 27 August 2009, during which the Board of Directors approved the condensed interim financial information of the Company for the six month period ended 30 June 2009, the Board proposed and approved an interim dividend for the 2009 financial year of €0,15 per share (amounting to a total of €45.845). The relevant amounts relating to the interim dividend for 2009 and the final dividend for 2008 (totalling €137.536) are included in these financial statements.

A proposal to the AGM for an additional €0,30 per share as final dividend for 2009 (amounting to a total of €91.691) was approved by the Board of Directors on 25 February 2010 and the final approval was given by the shareholders at the AGM held on 2 June 2010. Furthermore, at its meeting held on 24 August 2010, during which the Board of Directors approved the condensed interim financial information of the Company for the six month period ended 30 June 2010, the Board proposed and approved an interim dividend for the 2010 financial year of €0,15 per share (amounting to a total of €45.845). The relevant amounts relating to the interim dividend for 2010 and the final dividend for 2009 have been included in these financial statements. Due to changes in tax regulations during the year, the payment of the interim dividend raised additional tax obligations on the Company of € 12,2 million (refer to Note 27).

A proposal to the AGM for an additional € 0,30 per share as final dividend was approved by the Board of Directors on 24 February 2011. This amounts to €91.691 and is not included in these accounts as it has not yet been approved by the shareholders' AGM. No provision for tax was taken for the final dividend as the Company expects the new tax legislation to clear the issue.

### 31 Cash generated from operations

|  |             | <b>For the year ended</b> |                         |
|--|-------------|---------------------------|-------------------------|
|  | <b>Note</b> | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| <b>Profit before tax</b>   |             | <b>247.753</b>            | <b>219.014</b>          |
| Adjustments for:   |             |                           |                         |
| Depreciation and amortisation of property, plant & equipment and intangible assets | <b>6,7</b>  | 80.021                    | 77.532                  |
| Grants amortisation  |             | (3.131)                   | (3.428)                 |
| Finance costs - net  | <b>25</b>   | 32.561                    | 15.745                  |
| Provisions for expenses and valuation changes                                      |             | 25.528                    | 20.320                  |
| Losses from disposal of PPE  |             | -                         | 51                      |
| Foreign exchange (gains) / losses  |             | 14.308                    | 1.730                   |
| Dividend income  |             | (11.879)                  | (17.110)                |
|  |             | <b>385.161</b>            | <b>313.854</b>          |
| <b>Changes in working capital</b>  |             |                           |                         |
| (Increase) / decrease in inventories   |             | (215.302)                 | (270.770)               |
| (Increase) / decrease in trade and other receivables                               |             | 15.232                    | (59.109)                |
| Increase / (decrease) in payables  |             | 469.240                   | 155.378                 |
|  |             | <b>269.170</b>            | <b>(174.501)</b>        |
| <b>Net cash generated from operating activities</b>                                |             | <b>654.331</b>            | <b>139.353</b>          |

### 32 Contingencies

The Company has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. Provisions are set up by the Company against such matters whenever deemed necessary and included in other provisions (Note 20). These are as follows:

- (i) The Company is involved in a number of legal proceedings and has various unresolved claims pending arising in the ordinary course of business. Based on currently available information, management believes the outcome will not have a significant effect on the company's operating results or financial position.
- (ii) The Company has not undergone a tax audit for the years ended 31 December 2002 to 31 December 2010. The tax audit for Hellenic Petroleum S.A. for the years 2002 – 2009 is currently under way, while temporary tax audits are finalized for the years 2006 and 2008.

Based on Art.5 of the new tax law 3845/2010 (FEK 65A' – 6/5/2010), an additional income tax provision regarding the profits of financial year 2009 have been included in this interim consolidated financial information, amounting to €21 million. Based on Art.5 of the Tax Law 3845/2010 (FEK 65A' – 6/5/2010), the Company is subject to a special tax contribution in respect of profits of financial year 2009. Hellenic Petroleum S.A. has received the relevant assessment from the tax authorities indicating an obligation amounting to €26 million. However, the tax authorities' calculation was found to be incorrect and the company submitted the relevant supporting analyses for the calculation to be corrected. The overall provision for the Law 3845/2010 special tax contribution in the financial statements has been based on the correct calculation of Hellenic Petroleum's special contribution which amounts to €21 million.

Management believes that no additional material liability will arise as a result of open tax years over and above the tax liabilities and provisions recognised in the financial statements.

- (iii) The Company has provided letters of comfort and guarantees to the favour of banks as security for loans granted by them to subsidiaries and associates of the Group, the outstanding amount of which as at 31 December 2010 was the equivalent of €1.801 million (31 December 2009 €1.715 million). The Company has also issued letters of credit and guarantees to the favour of third parties, mainly for the procurement of crude oil, which as at 31 December 2010 amounted to the equivalent of €456 million equivalent (31 December 2009: €363 million).
- (iv) Following complaints by IATA, the Greek Competition Committee initiated an investigation into the pricing of aviation jet fuel in the Greek market. The conclusion of the investigation was to assert a fine of €9.4m to all Greek refineries, Hellenic Petroleum share accounts for €7,3m and it is based on a percentage of the relevant sales revenues in the year preceding the complaint. The Company maintaining its position that the rational of the conclusion has not taken into account critical evidence presented, has filed an appeal with the Athens Administrative Court of Appeals. In parallel a petition to suspend the decision has also been filed and partially accepted; the Court has suspended the corrective measures imposed by the Greek Competition Committee until 31 August 2007 (since then all necessary changes have been implemented), but did not suspend the payment of the fine, which has already been paid. Management believes that the final outcome of this case will not have any material impact on the Company's financial statements. The court date for the appeal, initially set for the 27 September 2007 and postponed to take place on 17 January 2008, was finally tried on the 25 September 2008. The resolution issued has partly accepted the Company's appeal i.e. and (a) has reduced the fine of €7,3 million by €1,5 million (b) has revoked the corrective measures which were temporarily suspended as above. The Company is contesting the above decision before the Supreme Administrative Court for the part which the aforementioned resolution has not been fully accepted. The case has been postponed twice, to be heard on 11 May 2011.
- (v) In 2008, the D' Customs Office of Piraeus (formerly Z' Customs Office), issued deeds of assessment amounting at approximately €40 million for alleged stock shortages in the bonded warehouses of Aspropyrgos and Elefsina installations. In relation with the above, the Company has filed within the deadlines required by the Law, contestations before the Administrative Court of First Instance of Piraeus, for which no dates of hearing have been assigned to date. In addition, independent auditors have confirmed that there are no stock shortages and the books are in complete agreement with official stock counts. Further to the substantial reasons of contestation, legal advisors of the Company have expressed the opinion that such claims have been time-barred.

### **33 Commitments**

Significant contractual commitments of the Company are as follows:

- Capital investment in upgrading Hellenic Petroleum refinery installations of €442,3 million (31 December 2009 €529,5 million), of which €412 million relate to the Hydrocracker project.
- Upstream exploration and development costs of €1,5 million (31 December 2009: €4,4 million) have been committed as part of the Joint Operating Agreements (JOA) in place. These commitments will depend on the progress of exploration activities.

### 34 Related-party transactions

#### i) Sales of goods and services

|                          | <b>For the year ended</b> |                         |
|--------------------------|---------------------------|-------------------------|
|                          | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| <b>Sales of goods</b>    |                           |                         |
| Group Entities           | 3.185.862                 | 2.143.451               |
| Other related parties    | 150.565                   | 145.484                 |
| <b>Sales of services</b> |                           |                         |
| Group Entities           | 12.375                    | 8.018                   |
|                          | <b>3.348.802</b>          | <b>2.296.953</b>        |

#### ii) Purchases of goods and services

|                              |               |               |
|------------------------------|---------------|---------------|
| <b>Purchases of goods</b>    |               |               |
| Other related parties        | 38.576        | 31.916        |
| <b>Purchases of services</b> |               |               |
| Group Entities               | 58.551        | 52.292        |
|                              | <b>97.127</b> | <b>84.208</b> |

#### iii) Balances arising from sales / purchases of goods / services

|  | <b>As at</b>            |                         |
|--|-------------------------|-------------------------|
|  | <b>31 December 2010</b> | <b>31 December 2009</b> |
| <b>Receivables from related parties</b>  |                         |                         |
| <u>Group Entities</u>                    |                         |                         |
| - Receivables                            | 278.702                 | 232.194                 |
| <u>Other related parties</u>             |                         |                         |
| - Receivables                            | 174.593                 | 165.776                 |
|  | <b>453.295</b>          | <b>397.970</b>          |
| <b>Payables to related parties</b>       |                         |                         |
| <u>Group Entities</u>                    |                         |                         |
| - Payables                               | 25.579                  | 16.112                  |
| <u>Other related parties</u>             |                         |                         |
| - Payables                               | 2.630                   | 2.315                   |
|  | <b>28.209</b>           | <b>18.427</b>           |
| <b>Net balances from related parties</b> | <b>425.086</b>          | <b>379.543</b>          |

|                                    | <b>For the year ended</b> |                         |
|------------------------------------|---------------------------|-------------------------|
|                                    | <b>31 December 2010</b>   | <b>31 December 2009</b> |
| Charges for directors remuneration | 1.127                     | 1.133                   |

All transactions with related parties are effected under normal trading and commercial terms

Group Entities include all companies consolidated under the full method of consolidation.

Other related parties include non affiliated or Governmental organisations such as the Hellenic Armed Forces and the Public Power Corporation (Hellas). They are considered related parties due to the shareholding in the

Company by the Hellenic State. Also included are Group companies consolidated with the equity method of consolidation.

Transactions and balances with related parties are in respect of the following:

- a) Hellenic Petroleum Group companies.
- b) Parties which are under common control with the Company due to the shareholding and control rights of the Hellenic State:
  - Public Power Corporation Hellas
  - Hellenic Armed Forces
  - Olympic Airways/ Olympic Airlines
- c) Financial institutions which are under common control with the Company due to the shareholding and control rights of the Hellenic State. The Company as at 31 December 2010 had no outstanding loans (31 December 2009: equivalent €20 million) due to the following related financial institutions:
  - National Bank of Greece
  - Agricultural Bank of Greece
- d) Hellenic Petroleum Group's joint ventures with other third parties:
  - Hellenic Petroleum S.A. (75%) & Calfrac (25%)
  - Melrose (40%), Kuwait Energy (30%) & Hellenic Petroleum S.A. (30%)
  - JPK (49%), HPI (11%), Ramco (40%)
- e) Associates of the Group:
  - Athens Airport Fuel Pipeline Company S.A. (EAKAA)
  - Public Gas Corporation of Greece S.A. (DEPA)
  - Artenius S.A.
  - Elpedison B.V.
  - HELPE Thraki A.E.
  - Spata Aviation Fuel Company S.A. (SAFCO)
  - Biodiesel
- f) Financial institutions in which substantial interest is owned by parties which hold significant participation in the share capital of the Company. The Company as at 31 December 2010 had outstanding loans amounting to the equivalent of €240,0 million (31 December 2009: equivalent of €230,0 million ) with the following related financial institutions:
  - EFG Eurobank Ergasias S.A.
- g) Enterprises in which substantial interest is owned by parties which hold significant participation in the share capital of the Company.
  - Private Sea Marine Services (ex Lamda Shipyards)

### **35 Subsequent events**

There were no significant events that took place after the current balance sheet date as at 31 December 2010.



## **2. Board of Directors' Consolidated Financial Report for the fiscal year 2010**

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## **Annual Report of the Board of Directors of Hellenic Petroleum SA on the Consolidated and Company Financial Statements for the Fiscal Year from January 1<sup>st</sup> to December 31<sup>st</sup>, 2010**

Dear Shareholders,

This report of the Board of Directors covers the twelve-months ending 31.12.2010. The report has been prepared in accordance with the relevant provisions of Codified Law 2190/1920, Law 3556/2007, article 4, and decision 7/448/11.10.2007 of the Hellenic Capital Markets Commission. The Consolidated and Company Financial Statements have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

This report includes information and commentary on the assets, liabilities, equity and results of Hellenic Petroleum Group as well as Hellenic Petroleum SA (Holding Company of the Group), significant events that took place during fiscal year 2010, an outlook for 2011 with focus on expected significant risks and a disclosure of material transactions that took place between the Company and Group and their related parties.

### **A. Introduction to the Company and the Group**

The Group comprises of 47 companies, including the Parent Company, which is listed on the Athens Exchange (ATHEX). The list of subsidiaries, including the nature of business, percentage of ownership and consolidation method for each one of them, is included as an Appendix to this report. The present legal form of the Group is the result of the initial merger that took place during the 1998 privatisation, as well as subsequent corporate transactions (acquisitions and joint ventures).

In line with most international groups in our sector, Hellenic Petroleum is organised in Strategic Business Units which to a large extent determine its organizational structure and form the basis of key strategic decisions, management and monitoring of the Group and reporting of financial results. Specifically, all Group activities are categorized as follows:

- Refining, Supply and Trading (Domestic and International)
- Retail Trading (Domestic and International)
- Petrochemicals
- Exploration and Production of Hydrocarbons
- Gas and Power

The Group is also active in additional segments, which, despite their strategic importance (Technical Services, Renewable Sources), do not have a significant impact on Group current financial performance.

#### **A.1 Hellenic Petroleum SA (Parent Company)**

The Parent Company is listed on the Athens Exchange (ATHEX: ELPE), while its shares are also traded in the form of GDRs on the London Stock Exchange (LSE: HLPD). Its shareholder structure on 31.12.2010 was:

- Greek State and state-owned DEKA SA 35,48%
- Paneuropean Oil and Industrial Holdings SA 41,05 %

- Institutional and private investors 23,47%

## A.2 Main Group Activities

The main activities of the Group cover a wide spectrum of the energy sector, making Hellenic Petroleum one of the most important energy groups in South-Eastern Europe.

Key points per activity are summarized below:

### a) Refining, Supply and Trading

Refining, Supply and Trading are the Group's core business and its main source of income and profit.

#### Domestic Activities

Greek refining activities focus on the operation of the Group's three refineries located in Aspropyrgos, Thessaloniki and Elefsina, which account for roughly 70% of the country's total refining capacity. The three refineries in total have storage tanks of 6.65 million m<sup>3</sup> for crude oil and petroleum products.

Each refinery's technical characteristics determine its operating mode and results and are presented in summary form in the table below:

| Refinery     | Daily Refining Capacity (in 000s of barrels - Kbpd) | Annual Refining Capacity (in million tons) | Refinery Type  | Nelson Complexity Index |
|--------------|---|--|----------------|-------------------------|
| Aspropyrgos  | 145   | 7.5  | Cracking (FCC) | 11.0                    |
| Thessaloniki | 80  | 3.4  | Hydroskimming  | 6.7                     |
| Elefsina     | 100   | 5.0  | Topping        | 1.5                     |

Significant upgrade projects are currently in progress at the Thessaloniki and Elefsina refineries. Once completed in 2011, Nelson Complexity Index at the Thessaloniki refinery will increase to 7.3, while at the Elefsina refinery it will reach 7.2. The latter will be achieved through the addition of conversion units (vacuum gasoil, hydrocracker and flexicoker units), making it one of the most modern and profitable refineries of the Mediterranean region. Completion of these projects will also contribute to the country's security of oil products supply while at the same time it will enhance the safety of operations utilising Best Available Techniques (BATs) and will minimise the environmental impact of the refinery operations.

#### Crude Oil Supplies

Crude oil supplies are centrally coordinated and carried out through both term contracts and spot purchases. Crude oil is supplied from Russia (URALS, Siberian Light – 44.40%), Saudi Arabia (8.94%), Iran (6.88%), Libya (16.64%) and Kazakhstan (15.13%).

### **Refinery Sales (Wholesale Trading)**

HELLENIC PETROLEUM SA conducts ex-refinery sales of petroleum products to retail companies, including its two subsidiaries, EKO and Hellenic Fuels, as well as other eligible customers, such as the country's armed forces. A percentage of the production is exported, while heating oil is imported for seasonal needs that cannot be covered by domestic production. All of the Group's refinery products meet the latest European standards (Euro V)

### **International Activities**

International refining activities relate to the OKTA hydroskimming refinery in Skopje, with an annual capacity of 2.5 million tons. Crude oil is supplied through a pipeline that connects OKTA with the Thessaloniki refinery, while its products are distributed to the local market through retail companies or are exported to neighbouring Balkan markets.

### **b) Retail Trading**

Retail trading activities are split into Domestic, comprising the Group's Greek subsidiaries EKO and Hellenic Fuels, and International through local in-market retail subsidiary companies.

#### **Domestic Activities**

EKO has a network of approximately 1,100 fuel stations, while Hellenic Fuels operates a similar sized network under the BP brand (the total Greek market amounts to 8,000 stations). The two companies have 19 bulk storage and supply terminals with loading facilities, 23 aircraft refuelling stations in the country's main airports, three LPG bottling plants and one lubricant production and packaging unit. The market share of the two subsidiaries, including industrial clients, amounts to roughly 30%.

Following the acquisition agreement in 2009 and the ensuing licence from BP Group, Hellenic Fuels maintains the right to use the brand name and logo of BP in Greece for all ground fuels, for a period of 5 years, with an extension option for 3 additional years.

#### **International Activities**

Internationally, the Group is active in downstream retailing of petroleum products through subsidiary companies in Cyprus, Bulgaria, Serbia, Montenegro, Albania, and Georgia. The international network of fuel stations amounts to 310, while market position varies from country to country. The Cypriot and Montenegrin local subsidiaries, having been acquired by the Group as going concerns, maintain a leading position in their respective markets. In Bulgaria and Serbia, business was set up on an almost greenfield basis with the establishment of new companies, the Group's subsidiaries recorded the highest growth in the market during the 2005-2010 period, and are now among the top five companies in the sector.

### **c) Petrochemicals**

Petrochemical activities focus mainly on further processing of the Group's refinery products, such as propylene, polypropylene, solvents and inorganics, as well as trading in the local market. Part of the production takes place at Aspropyrgos, where propylene is produced, while the majority of

chemical facilities are located in the Thessaloniki refinery. Basel Technology, considered globally as one of the best, is used in the production of polypropylene.

Based on their contribution to financial results, propylene and polypropylene lines of products comprise the major part of petrochemicals activities. Exports of chemical products are equally important to the domestic market sales as 50 to 60% of sales are sold into the markets of Turkey, Italy and Iberia, where they are used as raw materials by local industries.

#### **d) Exploration and Production of Hydrocarbons**

Hydrocarbon Exploration and Production (E&P) Group activities relate to Greece and abroad. The basic asset areas are:

##### **Greece**

- Participation with 25% in the exploration asset of the Thrace Sea Concession in the Northern Aegean, covering an area of approximately 1,600 sq. km.
- In 2007, the Greek Government recalled the concession permits that had been granted to the Group for research and exploitation of hydrocarbons in the Greek subsoil. The Company's Management has reserved its position and legal rights on this issue.

##### **Egypt**

The Group is active in Egypt through two Concession Contracts:

- Concession Contract in West Obayed area of the Western Desert, totalling 1,841 sq. km. The contract was signed on June 5, 2007 with the Company as exclusive concessionaire and administrator. At the end of 2010, the Company agreed to farm out 70% to VEGAS, another upstream company of Greek interests which is active in the area, with which it will continue exploration activities in the area.
- Concession Contract in the Mesaha area of the Western Desert in Upper Egypt, totalling 57,000 sq. km. The contract was signed on October 9, 2007 and the companies participating in the consortium are Melrose at 40% (Consortium administrator), HELLENIC PETROLEUM at 30% and Kuwait Energy at 30%.

##### **Montenegro**

The Group has been present in Montenegro since 2002, when it acquired 54.35% of the state oil company, JUGOPETROL A.D. KOTOR (JPK). JPK owns the hydrocarbon exploration and production rights in three offshore areas in Montenegro. In accordance with the Concession Contract, the exploration and production activities in these areas are conducted through JPK's consortia with foreign companies. The Consortium company shareholding was as follows:

- Blocks 1&2 (1,130 sq. km & 3,710 sq. km respectively): MEDUSA (Montenegro) 40%, HELLENIC PETROLEUM INTERNATIONAL AG 11%, JPK 49%.
- Block 3 (3,930 sq. km): JPK 100%.

The Government of Montenegro unilaterally decided to terminate the Concession Contracts of Block 3 to JPK in August 2006. Both JPK and the Group have not accepted this decision and have reserved their position and legal rights.

## **e) Gas and power**

### **Power Generation and Trading**

The Group's power generation and trading activities focus mainly on power generation through ELPEDISON POWER, cross-border electricity trading as well as trading in the Greek market through ELPEDISON TRADING. Both companies are controlled by ELPEDISON BV, which holds 75% of the former's and 100% of the latter's share capital. The Group owns 50% of the share capital of ELPEDISON BV, the other 50% being held by the Italian EDISON.

ELPEDISON POWER was the first, independent power producer in Greece (IPP), with its combined cycle natural gas technology (CCGT) plant in Thessaloniki having a total capacity of 390 MW, and a maximum annual production capacity of 3,300,000 MWh. The construction of a second 420 MW CCGT plant in Thisvi was completed in September 2010 with commercial operations starting during the fourth quarter of 2010. This makes ELPEDISON POWER the second largest electricity producer in Greece, with a total installed capacity of 810 MW.

### **Natural Gas**

HELLENIC PETROLEUM owns a 35% stake in Greece's gas company, DEPA SA, while the controlling stake of 65% is owned by the Greek State. DEPA's operations include: importing and trading of natural gas in Greece through pipelines or liquefied natural gas; transporting through a high pressure system that is owned and operated by its subsidiary, DESFA; participation with 51% in local gas supply companies, and; participation in trans-national natural gas transportation projects such as the Turkey-Greece-Italy pipeline and the Greece-Bulgaria pipeline.

## **B. FY 2010 Major Events**

2010 was a special year, mainly as a result of the adverse developments in the Greek economy. A synopsis of the main events is as follows:

### **B.1 Business Environment**

#### **a) Global Economy**

In 2010 the global economy displayed signs of recovery in comparison to 2009; however uncertainties and the risk of prolonged recession still remain high. The global GDP grew by an estimated 5% in 2010, compared to a reduction of 0.6% in the previous year. The rate of growth varied significantly across the various regions, as the GDP of developing countries grew by 7.1%, with China's growth rate in particular reaching 10.3%, while Eurozone and USA displayed a lower rate of growth at 1.8% and 2.9% respectively (Source: Bank of Greece report "Monetary Policy 2010-2011"; February 15, 2011).

#### **b) Petroleum Industry**

Crude oil prices rose in 2010, due to increased demand. Prices reached once again \$100 per barrel at the end of the year, averaging \$80 per barrel for the whole year (2009: \$63 per barrel). Similarly, the increase in demand for middle distillates led to the improvement of international refining margins for complex refineries, which averaged at \$4.4/barrel (2009: \$3.7/barrel)

### c) Exchange and Interest rates

The Euro/USD exchange rate continued being volatile during 2010, although to a lesser extent than 2009. The average rate was €1=\$1.34 (2009: €1=\$1.39), (Source: “ECB Reference Exchange Rates, 31.12.2010, No. 253, Bank of Greece”), with positive effects on Group results.

The slow recovery of the global economy led to low short-term base interest rates, while 3-5 year forward curves incorporate inflationary pressures expectations. However, as was the case with all Greek corporates, increased sovereign credit spreads as a result of the Greek market crisis, was the key driver of the increased funding costs for the Group.

### d) Domestic Greek Market

The Greek economy went into a deep recession during 2010, as GDP was reduced by more than 4% and macroeconomic indicators remained negative. Public deficit reached 8.4% of the GDP for 2010, while public debt soared to 142.5% of the GDP (Source: Bank of Greece report “Monetary Policy 2010-2011”; February 15, 2011). The economic crisis had an adverse impact on Group results, as new conditions prevailed in the Greek market: the significant increase in consumption taxes of auto fuels (from €410/m<sup>3</sup> in January 2010 to €670/m<sup>3</sup> in July 2010); the increase of VAT to 23%; strict income policy limiting disposable income; and the crisis in the banking sector with a resulting credit and liquidity crisis. Oil products demand, for the first time, recorded a decline which is estimated at 14%.

## B.2 Business Review

### a) Financial highlights

Tables below present the main financial and operational Group indicators for 2010:

| Operational Data                                | 2010  | 2009  |
|---|-------|-------|
| Refinery sales<br>(in million metric tons)      | 14.56 | 15.89 |
| Retail sales<br>(in million metric tons)        | 5.74  | 6.24  |
| Refinery production<br>(in million metric tons) | 12.40 | 12.23 |
| Employees in Greece                             | 3,639 | 3,708 |
| Group employees (Greece<br>& Abroad)            | 5,034 | 5,295 |



| Financial Data<br>(in million €)   | 2010  | 2009  |
|--|-------|-------|
| Net sales  | 8,477 | 6,757 |
| Reported EBITDA  | 497   | 390   |
| Adjusted EBITDA <sup>1</sup>   | 474   | 362   |
| Reported net income<br>(attributable to the owners of<br>the Parent Company) | 180   | 175   |
| Adjusted net income <sup>1</sup>   | 205   | 150   |
| EPS (€)  | 0.59  | 0.57  |
| Adjusted EPS (€)   | 0.67  | 0.49  |

External factors, such as the increase in the prices of crude oil and oil products and increased refinery margins, had a positive effect on financial results, while the decrease in domestic demand and decreased retail margins had a negative effect.

Transformation projects and improving competitiveness (e.g. procurement – BEST 50, refinery optimisation – DIAS), as well as cost control, contributed to the reduction of operating expenses, adding an additional increase of €63 million in 2010.

Finally, changes of the tax framework had a negative impact on Group results, as they led to an additional charge of €33 million due to the special income tax, as well as the booking of a provision of approximately €12 million for dividend taxation, in line with existing tax law for dividends. A new proposed tax bill changes the tax treatment for distributed earnings into withholding taxation on dividends rather than additional corporate income tax as it currently stands. Should this bill be voted into law, the provision referred to above will be reversed in 2011.

| Balance Sheet / Cash Flow                       | 2010  | 2009  |
|---|-------|-------|
| Total Assets                                    | 6,862 | 5,763 |
| Total Equity                                    | 2,531 | 2,508 |
| Capital Employed                                | 4,191 | 3,927 |
| Net Debt  | 1,659 | 1,419 |
| Net Cash Flows                                  | -240  | -740  |
| Capital Investments                             | 709   | 614   |
|   |       |       |
| % of debt on capital<br>employed - Debt Gearing | 41%   | 36%   |
| % Return on capital<br>employed - ROACE         | 5.4%  | 5.7%  |
| % Return on Equity - ROE                        | 7.1%  | 7.0%  |

<sup>1</sup> Adjusted for the impact of crude oil prices and other non-operating items (e.g. special taxation)

The increase in Group's net debt with its gearing ratio reaching 41% is explained by the Investments in upgrading projects, the acquisition of Hellenic Fuels at the end of 2009, and the increase in working capital, due to increased prices of crude oil and its products.

## **b) Share performance**

HELLENIC PETROLEUM's share closed on 31.12.2010 at a price of €5.86, lower by 28% from the end of the previous year. In spite of this, share price outperformed both the General Index of the Athens Exchange and the FTSE/ASE 20 index, which dropped by 35% and 36% respectively during the same period.

The proposal of the Board of Directors to the Annual General Meeting of Shareholders is to maintain the total gross dividend of 2010 at €0.45 per share, as in the previous fiscal year. Following the recent filing of the new tax bill, the taxation framework regarding payment of dividends and interim dividends for the year ended on 31.12.2010, will lead to a withholding tax of 21%. Based on this, total dividends will be as follows:

| € per Share      | Dividend | Withholding tax 21%,<br>for which a relevant<br>receipt will be issued | Net payable to<br>shareholders |
|------------------|----------|--|--------------------------------|
| Interim Dividend | 0.19     | 0.04   | 0.15                           |
| Final Dividend   | 0.26     | 0.05   | 0.21                           |
| Total Dividend   | 0.45     | 0.09   | 0.36                           |

It should be stressed that this proposal is based on the submitted tax bill. In case of changes to the final tax law, Management will examine and accordingly adjust its final proposal to the Annual General Meeting of Shareholders, aiming to maintain the total cash outflow for dividends at the same levels.

## **c) Key Developments**

The key business developments during the year were:

- Completion of construction of new units at the Thessaloniki refinery, preparation for tie-ins to the existing units, and operation scheduled to commence in Q1 2011.
- Significant progress in the Elefsina refinery upgrading, which is at 82% of the total project.
- Integration of the activities of Hellenic Fuels, as the takeover was completed at the end of 2009.
- Agreement to sell to VEGAS, 70% of the West Obayed concession in Egypt.
- Securing of additional funding lines of €1 billion, including a 12-year agreement with the European Investment Bank, thus supporting the Group's investment plan and strategy.
- The Group, EKO and Hellenic Fuel have moved into new headquarters, with collocation of all major operations, thus improving efficiency and achieving economies of scale and synergies.

## C. Review per Segment – Performance and Financial Position

The key developments and financial highlights for each of the Group main activities are:

### a) Refining, Supply and Trading

Financial results and operational highlights:

|   | 2010           | 2009           |
|---|----------------|----------------|
| <b>Financial Results (€ million)</b>                      |                |                |
| Sales   | 7,832          | 5,930          |
| EBITDA  | 371            | 325            |
| Adjusted EBITDA   | 337            | 269            |
| <b>Operational Indicators</b>                             |                |                |
| Sales Volume (000s of metric tons) – Total                | 14,557         | 15,885         |
| Sales Volume (000s of metric tons) – Refineries in Greece | 13,647         | 14,857         |
| Margin for complex refineries (cracking)                  | \$4.4 / barrel | \$3.9 / barrel |
| Refinery performance (% of nominal capacity)              | 78%            | 77%            |
| Safety Index – AIF  | 3.90           | 5.70           |

Key points for 2010:

- Improvement of refineries health and safety operational indicators
- Improvement of indicators regarding environmental effects. Total sulphur dioxide emissions of the three refineries remain approximately 70% below the new lower limits set by the State as part of the Environmental Terms of Operations.
- CO<sub>2</sub> emissions depend on utilisation rates, but also on the equipment's energy efficiency. With regard to the latter, refineries have achieved satisfactory improvements without / or with minimum investments (DIAS project), resulting in positive impact for the environment.

Regarding financial data:

- Price increase of crude oil and improved refining margins for complex refineries. The average price of Brent crude oil (Platts Dated) for 2010 was \$79.50/Bbl, compared to \$61.67/Bbl in 2009, an increase of 22.4%. International refining margins for complex refineries increased during 2010. Mediterranean complex benchmark refining margin in 2010 was \$4.37/Bbl, compared to \$3.90/Bbl in 2009.
- Decline of domestic market demand due to the economic recession and increased consumption taxes.
- Reduced runs for simple refineries, due to suppressed international margins for such refineries.

## b) Retail Trading

Financial data and operational highlights:

|  | 2010  | 2009  |
|--|-------|-------|
| <b>Financial Results (€ million)</b>                                   |       |       |
| Sales  | 3,508 | 2,339 |
| EBITDA   | 106   | 69    |
| Adjusted EBITDA  | 114   | 92    |
| <b>Operational Indicators</b>  |       |       |
| Sales Volume (000s of metric tons) – Total                             | 5,735 | 6,236 |
| Sales Volume (000s of metric tons) – Greece                            | 4,367 | 5,161 |
| Fuel stations – Greece   | 2,186 | 2,345 |
| Fuel stations – International  | 310   | 308   |
| Average daily sales volume per station (ATP) in litres – Greece        | 3.1   | 3.5   |
| Average daily sales volume per station (ATP) in litres – International | 8.0   | 7.7   |

Key points for 2010:

- Significant demand decrease due to economic recession and the increase of the Consumption Tax on auto fuels as well as increase in Value Added Tax. The demand in the Greek market is estimated to have declined by approximately 14%, recording a significant decrease in almost all of the product categories.
- Incorporation of the recently acquired network of Hellenic Fuels and significant improvement of Group's position in the Greek market. The Group met all commitments imposed by the Competition Commission regarding the number of fuel stations and the market share in specific regions, where the combined percentage following the acquisition was high.
- Increase of credit risk as many stations and customers face difficulties due to the simultaneous decrease in demand and reduced liquidity availability.
- Progress in the materialization of synergies between the two networks in Greece on matters of distribution, technical support and supporting services.
- Internationally, despite difficult market conditions, sales volumes of retail trading companies increased by 2%, compared to 2009, mainly due to higher sales in the core markets of Serbia (18%) and Bulgaria (11%). This increase resulted from the maturity of the investments that took place in previous years and the focused promotional actions that led to the increase in market share in the basic international markets. The increase of sales volumes was accompanied by an increase of gross profit, while the overall efficiency of international retail companies was also improved.

### c) Petrochemicals

Financial Data and basic operational indicators:

|  | 2010 | 2009 |
|--|------|------|
| <b>Financial Results (€ million)</b>       |      |      |
| Sales                                      | 377  | 257  |
| EBITDA                                     | 48   | 20   |
| <b>Operational Indicators</b>              |      |      |
| Sales Volume (000s of metric tons) – Total | 408  | 407  |
| Polypropylene margin (\$/ton)              | 409  | 312  |

Key points for 2010:

- Positive environment for petrochemicals exports with improved demand, in contrast to the lower sales volumes domestically due to the economic recession.
- Propylene and polypropylene production remains the main source of profitability.

### d) Exploration and Production of Hydrocarbons

In 2010, activities focused on exploration drillings and data analysis in the West Obayed region, and the participation through the consortium in the area of Mesaha.

Specifically, exploration activities continued by carrying out two drillings in the region of West Obayed and the further processing and analysis of seismic data in both regions.

At the same time, as part of the value maximisation process for its Exploration and Production portfolio the Group, following an international tender, agreed in December 2010 to sell a 70% stake in the West Obayed Concession to VEGAS, while retaining the remaining 30%. In this way, the continuation of the Group's participation and opportunity to take advantage in a possible discovery is ensured, albeit with reduced exploration risk and costs. It is noted that this transaction is subject to the Egyptian authorities' approval.

### e) Gas and Power

Activities in the sectors of power generation and trading and natural gas are carried out through the Group's investments in ELPEDISON BV and DEPA SA respectively. In total, the participation of these two activities to Group consolidated results amounted to approximately €30 million, increased by 63% compared to the previous year.

The performance of these two companies was affected by the approximate 1.5% decrease of demand in the electricity market. As a result the hours of commercial operation of ELPEDISON's plants, as well as the average spark spread (difference in price of electricity compared to the corresponding cost of natural gas) remained at lower levels than 2009. Likewise, natural gas sales by DEPA SA were also affected, reaching 3.3 bcm, 9% lower than in the previous fiscal year.

## **D. Corporate Governance Statement**

### **General**

Corporate Governance refers to a set of principles on the basis of which the proper organization, operation, management and control of a company is evaluated. The long-term goal of the Company must be the one of maximizing value and safeguarding the legitimate interests of all those related with it.

In Greece, the Corporate Governance framework has been developed mainly through the adaptation of obligatory rules, such as Law 3016/2002. This law imposes the participation of non-executive and independent non-executive members on the Boards of Directors of Greek listed companies; the establishment and operation of an internal audit unit; and the adoption of an internal regulation. Moreover, a significant number of other legislative acts were incorporated into the Greek legal framework based on the EU directives concerning corporate law, thus creating a new set of rules regarding corporate governance, such as Law 3693/2008, requiring the creation of audit committees and incorporating significant obligations of disclosure, concerning the ownership as well as the governance of a company, Law 3884/2010, dealing with the rights of the shareholders and additional corporate disclosure obligations within the framework of preparation of the General Meeting of shareholders and Law 3873/2010, incorporating into the Greek legal framework the Directive 2006/46/EC of the European Union, concerning the annual and consolidated accounts of companies of a certain legal form. Finally, in Greece, as well as in most countries, the Company Law (codified law 2190/1920, which is modified by numerous guidelines derived from many of the aforementioned EU Directives) includes the basic legal framework of governance.

### **D.1 Corporate Governance Code**

The Company has voluntarily decided to adopt the **Corporate Governance Code for listed companies by the Hellenic Federation of Enterprises** (or “Code”). The Code can be located on the website of the Hellenic Federation of Enterprises (or “SEV”), at the following address:

[http://www.sev.org.gr/Uploads/pdf/KED\\_TELIKO\\_JAN2011.pdf](http://www.sev.org.gr/Uploads/pdf/KED_TELIKO_JAN2011.pdf)

Apart from SEV’s website, the Code is also available to all the employees through the intranet as well as in hard copy through the Group’s departments of Finance and Human Resources.

### **D.2 Deviations from the Corporate Governance Code**

The Company, on occasion, deviates or does not apply in its entirety certain provisions of the Code (noted in *italics*).

- With regard to the size and composition of the Board of Directors (or “BoD”):
  - As a result of the privatisation process and the ensuing shareholder structure, certain rules of appointing and replacing members of the BoD exist, which are explicitly mentioned in the Company’s Articles of Association. The shareholder “Greek State” appoints seven members out of a total of thirteen, as long as it holds at least 35% of the shares. The shareholder “Paneuropean Oil and Industrial Holdings SA” and its related companies appoint two members of the BoD, under the precondition that it holds at least 16,654% of the total voting shares of the Company. Two members of the BoD are representatives of the employees, elected by them, and two more are representatives of the minority shareholders, elected by

the Special General Meeting of minority shareholders (excluding the Greek State and Paneuropean Oil and Industrial Holdings SA and/or companies related to the latter) *A.II (2.4)*

- With regard to the role and attributes of the Chairman of the BoD:
  - The CEO and the Chairman of the BoD are both executive members. There is no provision in the Company's Articles of Association for the existence of a Vice-Chairman, as the BoD only includes one more executive member, with the remaining ten being non-executive. *A.III (3.1 & 3.3)*
- With regard to BoD member election:
  - All rules noted above on appointing and replacing members apply. The BoD term is set at five years, extended until the end of the period, within which the Annual General Meeting of shareholders must be held. *A.V (5.1, 5.2, 5.4, 5.5, 5.6, 5.7, 5.8)*
- With regard to the function and evaluation of the BoD:
  - Apart from the evaluation of the BoD through the report submitted to the Annual General Meeting of shareholders, the BoD monitors and re-examines the implementation of its decisions annually. The introduction of an evaluation system for the BoD and its committees is currently being examined. *A.VII (7.1 & 7.2)*
- With regard to the System of Internal Controls:
  - The Internal Audit Department reports to the Chairman of the BoD and to the Audit Committee of the Company. For the basic duties and responsibilities the Audit Committee, there is no specific charter, instead all provisions of law 3693/2008 and international best practices apply. *B.I (1.7)*
  - According to the relevant provisions of law 3016/2002, as long as the minority shareholders are represented in the Company's BoD, the existence of independent members is not mandatory. For this reason, no independent member participates in the Audit Committee. *B.I (1.4)*
- With regard to the level and structure of compensation:
  - The compensation of the Chairman of the BoD, the CEO, and all members of the BoD, for their participation in the meetings of the BoD and its committees, are approved by the General Meeting of Shareholders, following a relevant proposal by the Remuneration and Succession Planning Committee of the BoD. *C.I (1.4)*.
  - The activities of the Remuneration and Succession Planning Committee are not governed by a specific charter, but rather by the operational rules of collective bodies (invitation of Chairman, Daily Agenda, Minutes, etc). *C.I (1.6, 1.7, 1.8, 1.9)*
- With Regard to the General Meeting of shareholders:
  - Commencing with the convergence and conduct of the 2011 Annual General Meeting of shareholders, the Company will comply with all provisions of law 3884/2010 and thus to relevant provisions of the Code, with the exception of the points regarding the election of BoD members, mentioned above. *D.II (1.1)*

- With regard to the special practice of electronic voting or the voting via mail, its application is temporarily suspended, due to pending issuance of relevant ministry decisions, as stipulated in Law 3884/2010. *D.II (1.2)*

### **D.3 Corporate Governance Practices Exceeding Legal Requirements**

The Company operates within a satisfactory and well-structured system of corporate governance and has applied specific practices of good corporate governance, some of which exceed relevant legal requirements (Codified Law 2190/1920, law 3016/2002 and law 3693/2008).

The Company has adopted the following additional corporate governance practices, which are related to the size, composition, responsibilities and operation of the BoD:

- Due to the nature of the activities, shareholder structure and complexity of operations of the Group, which includes a number of operations and subsidiaries in Greece and abroad, the BoD – numbering thirteen members, which is ten more than the minimum required by law – has established committees that comprise of its members, with advisory, supervisory and authorizing responsibilities, aiming to aid the BoD in its work. These committees are briefly mentioned below (they are explained in detail at the end of this Statement, under the paragraph “Other Committees”).
  - I. Investment Committee
  - II. Crude oil and Petroleum products Supply Committee
  - III. Finance & Financial Planning Committee
  - IV. Major Projects Procurement Committee
  - V. Labour Issues Committee
- In addition to the above committees of the BoD, executive and non-executive committees have been established, mainly with an advisory role. They comprise of senior executives of the Group and their goal is to support Management in daily operations and strategy implementation:
  - I. Group Executive Committee
  - II. Strategic Planning and Development Committee
  - III. Group Credit Committee
  - IV. Capital appropriation and Investment Evaluation Committee
  - V. Human Resources and Succession Planning Committee
  - VI. Executive Operations Committee
  - VII. Executive Commercial Committee
- The BoD has included specific provisions in the Company's Internal Regulation, banning transactions of shares to the Chairman of the BoD, the CEO and for other members of the BoD, as long as they serve as either Chairman of the BoD or the CEO of a related company. The BoD has also implemented a Procedure of Monitoring and Disclosure of Significant Participations and Transactions on the Company's shares, as well as a procedure of Disclosing and Monitoring Transactions and Financial Interests between management staff and the Company's major clients and suppliers.



## **D.4 Main Features of the System of Internal Controls and Risk Management in relation to the Financial Reporting Process**

The System of Internal Controls and Risk Management of the Company in relation to the financial reporting process includes controls in different levels within the Organization, as described below:

### **a) Group Level Controls**

#### **Risk identification, assessment and measurement and response against risk**

The size and complexity of the Group's operations require an elaborate system of identifying and managing risks, which is implemented across all the Group's subsidiaries.

The identification and assessment of risks takes place mainly during the phase of strategic and annual operating planning. Matters examined vary depending on the conditions of the market and the industry and may include for instance political developments in the markets where the Group is active, significant sources of crude oil supplies, changes in technology, macro-economic indicators or the competitive environment.

#### **Planning and Monitoring / Budget**

Group performance is monitored through a detailed budget by operating sector and by market. Due to the nature of its operations, the Group's financial results depend greatly on external factors, such as international refining environment, crude oil prices and the euro/dollar exchange rate. For this reason, the budget is adjusted at regular intervals in order to take into consideration these changes. Management monitors the development of the Group's financial results through regularly issued reports, budget comparisons, as well as management team meetings.

#### **Adequacy of the System of Internal Controls**

Management has an elaborate internal control system part of which is embedded within each unit's operations to monitor and manage risks associated with each unit's operations and performance. The Group also conducts periodic evaluations, mainly through its Internal Audit Department, in order to determine the adequacy of its Internal Controls System.

The Group has an Internal Audit Department whose independence from operations is ensured through its reporting lines and structure, that among other things, ensures the adequacy of the procedures of recognizing and managing risks applied by Management, the effectiveness of the Internal Controls System and the quality and reliability of the information given to the Management and the BoD with regard to the System of Internal Controls. Assessment of risks is conducted annually under the framework of the Company's Risk Management.

The adequacy of the Internal Controls System is monitored on a systematic basis by the Audit Committee, through reports submitted to it every quarter by the Internal Audit Department.

Reports by the Management and the Internal Audit Department include assessments of the major risks and the effectiveness of the Internal Controls System in addressing them. Any weaknesses identified are incorporated in the reports, including the impact they had or could have had, as well as the actions of Management to correct them.

To ensure the independence of the Group's financial statements audit, the BoD has a specific policy and procedure to form recommendations towards the General Meeting of shareholders for the election of the external auditor. Indicatively, this policy calls for the selection of the same

auditing company for the whole Group, as well as the audit of the consolidated financial statements and local statutory financial statements. The selection of the independent external auditor is made between leading internationally acclaimed firms, able to cover the Group's audit in the various locations where the group is present.

### **Roles and Responsibilities of the BoD**

The roles and general responsibilities of the BoD are described in the Internal Regulation of the Company, which is approved by the BoD.

### **Fraud prevention and detection**

The areas that are considered to be of high risk for financial fraud are monitored through appropriate internal controls and enhanced security measures. Examples include the existence of detailed organizational charts, process manuals on several areas (procurement, purchasing of petroleum products, credit, treasury management), as well as detailed procedures and approval authority levels. In addition to the internal controls applied by each department, all Company activities are subject to audits from the Internal Audit Department, the results of which are presented to the BoD.

### **Internal Regulation**

Hellenic Petroleum has drafted an Internal Regulation that is approved by the BoD. The responsibilities and authorities of key job positions are defined within the Internal Regulation, thus promoting sufficient segregation of duties within the Company.

## **b) Information Technology General Controls**

The Group's IT Department is responsible for developing the IT strategy to support the overall Group strategy and provide the required tools and solutions to all Group staff. A key part of its responsibilities is the operation and support of IT systems and applications through the drafting and updating of manuals, and the efficient management of internal and external resources.

The Group has developed a sufficient framework to monitor and control its IT systems, which is defined by a set of internal controls, policies and procedures. Among these are documented job descriptions, roles and responsibilities of the Group IT Department as well as the IT Strategic Plan.

In addition, a specific procedure has been designed to ensure safety through an approved Business Continuity Plan. Finally, access rights have been set in several information systems for all the employees, according to their position and role, while an entry log is also kept for all the Group's IT systems.

## **c) Internal Controls over Financial Reporting**

As part of the preparation of financial statements, numerous controls are in place, using tools and methodologies in line with best international practices. A summary of such controls, relevant to the preparation of financial statements, are:

### **Organisation – Segregation of Duties**

- The assignment of duties and authorities to senior Management of the Company, as well as middle and lower management levels, ensures the effectiveness of the Internal Control System and the appropriate segregation of duties.

- Adequate staffing of financial services with employees or outsourced service providers who possess the necessary technical skills and experience to carry out their duties.

#### **Accounting monitoring and preparation of financial statements**

- Existence of common policies where possible and monitoring procedures of accounting departments of the Group's subsidiaries. These include, amongst others, definitions, accounting principles adopted by the Company and its subsidiaries, guidelines for the preparation of financial statements and consolidation.
- Automatic checks and validations between different transactional and reporting systems. In cases of non-recurring transactions special approval is required by senior management staff.

#### **Safeguarding of assets**

- Existence of internal controls regarding fixed assets, inventories, cash and bank checks, etc, such as physical security of cash or warehouses, inventory counts and reconciliations of physically counted quantities with the recorded ones.
- Schedule of monthly inventory counts to confirm inventory levels of physical and accounting warehouses. Existence and use of an analytical manual to conduct inventory counts.

#### **Chart of Authorities**

- Existence of a chart of authorities, which depicts assigned authorities to various Company executives, in order to conduct certain transactions or actions (e.g. payments, receipts, contracts, etc).

### **D.5 Information Required by Article 10, Paragraph 1 of the EU Directive 2004/25/EC on Public Takeover Bids**

The required information is included in part J of this Report.

### **D.6 General Meeting of Shareholders and Shareholders' Rights**

The roles, responsibilities, participation, the ordinary or extraordinary quorum of participants, the Presidency, Daily Agenda and the general operation of the General Meeting of the Company's Shareholders are described in its Articles of Association, as updated based on the provisions of Codified Law 2190/1920 (following integration of Law 3884/2010 on minority voting rights).

Shareholders are required to prove their shareholder status and the number of shares they possess at the exercise of their rights as shareholders (i.e. voting and dividend payment). Usual forms of proof are custodian or Central Depository certificates or electronic communication through specialised secured electronic platforms.

### **D.7 Composition & Operation of the Board of Directors, its Committees and other Administrative Bodies**

#### **Board of Directors (BoD)**

##### **General**

The Company is managed by a BoD, comprising of 13 members, with a term of five years, which ends on 14.5.2013. Board members are:

- Anastasios Giannitsis, Chairman, executive member – Representative of Greek State

- Ioannis Costopoulos, CEO, executive member – Representative of Greek State
- Theodoros-Achilleas Vardas, executive member – Representative of Paneuropean Oil and Industrial Holdings
- Georgios Kallimopoulos, non-executive member – Representative of Paneuropean Oil and Industrial Holdings
- Dimokritos Amallos, non-executive member – Representative of Greek State
- Alexandros Katsiotis, non-executive member – Representative of Greek State
- Dimitrios Lalas, non-executive member – Representative of Greek State
- Gerasimos Lahanas, non-executive member – Representative of Greek State
- Anastasios Banos, non-executive member – Representative of Greek State
- Alexios Athanasopoulos, non-executive member – Representative of employees
- Panagiotis Ofthalmidis, non-executive member – Representative of employees
- Theodoros Pantalakakis, non-executive member – Elected by minority shareholders
- Spyridon Pantelias, non-executive member – Elected by minority shareholders

The size and composition of the BoD is described analytically in section D.2 of this report. Brief biographies of BoD members are included as the Appendix to this report.

The BoD convened 14 times in 2010 and all members were present either in person or by proxy.

### **Roles and Responsibilities of the BoD**

The BoD is the supreme executive body of the Holding Company and ultimately the Group and the main formulator of its strategy and development. The BoD supervises and controls the management of the Company's operations and assets. The composition and characteristics of the members of the BoD are determined by Law and the Company's Articles of Association. First and foremost among the duties of BoD is to constantly pursue the strengthening of the Company's long-term economic value and to protect its interests.

To achieve corporate goals and proper operation of the Company, the BoD may grant some of its authorities, except the ones that demand collective action, as well as the administration, management or representation of the Company to the Chairman of the BoD, the CEO or to one or more BoD members (executive and non-executive), to the Heads of Company Departments or to employees. BoD members and third parties that have been granted authorities are not permitted to pursue personal interests that conflict with the interests of the Company. They must disclose in a timely manner to the rest of the BoD any personal interests that might give rise to such a conflict, as stated in Codified Law 2190/1920 art. 42. (e), par. 5.

- Indicatively, the BoD approves, after proposal of the CEO:
  - I. The Business Plan (BP) of the Company and the Group,
  - II. The Annual Business Plan and Budget (BPB) of the Company and the Group,
  - III. Any necessary change to the BP or BPB,
  - IV. The annual report of transactions between the Company and its related parties, according to Codified Law 2190/1920 art. 42. (e), par. 5,
  - V. The annual report of the Company and the Group,
  - VI. Establishment of / participation in companies or joint ventures, company acquisitions, founding or termination of facilities – in all cases of such transactions that exceed €1 million,
  - VII. The agreements of participation in consortia for the exploration and production of hydrocarbons,

- VIII. The termination of plant operations,
- IX. The regulations that govern the operation of the Company and any amendments to them,
- X. The basic organizational structure of the Company and any amendments to it,
- XI. The responsibilities of its executives up to the level of Director and any amendments thereof ,
- XII. The appointment / dismissal, as well as the remuneration of General Managers, Directors and of the Head of Group's Internal Audit Department,
- XIII. The Collective Labour Agreement,
- XIV. The Internal Regulation,
- XV. The determination of the Company's salary policy,
- XVI. The hiring processes for executives and the assessment of their performance,
- XVII. Any other matter stipulated by the existing Company regulations.

### **Executive and non-executive members of the BoD**

The BoD determines the responsibilities and status of its members as executive or non-executive. At any time, the number of non-executive members of the BoD cannot be less than one-third of the total number of its members.

### **Chairman of the BoD**

The Chairman of the BoD represents the Company before the Courts and any other Authority; presides over and directs the meetings of the BoD, and acts according to the existing regulatory framework, Company Articles of Association and Internal Regulation.

### **Chief Executive Officer**

The Chief Executive Officer (CEO) is the most senior member of the Company's executive management. The CEO manages all the Company's operations. In the context of the Business Plan, the Regulations and Decisions of the BoD that govern the operation of the Company, the CEO makes all necessary decisions, submits proposals and recommendations to the BoD, aiming to accomplish Company objectives.

### **Audit Committee**

The Company has established an Audit Committee, assigned by the General Meeting of shareholders and made up of three members (Spyridon Pantelias, Chairman; Anastasios Banos, member; Dimokritos Amallos, member). It convened six times in 2010 and all members were present at each of its meetings.

The Audit Committee has the following responsibilities:

- To oversee the process of financial reporting and the reliability of financial statements of the Company and to examine the basic parts of the financial statements which include vital judgments and assumptions by Management,
- To monitor the effectiveness of the Company's System of Internal Controls and Risk Management,
- To ensure the proper operation of the Company's Internal Audit Department,
- To oversee the process of the external audit of the Company's financial statements,

- To monitor issues concerning the existence and maintenance of the external auditors' independence, especially when they are providing additional non-audit services.

Please note that a reassessment of responsibilities of the Audit Committee and the Financial and Financial Planning Committee is scheduled to take place, in order to ensure that no overlaps exist.

### **Compensation and Succession Planning Committee**

The Company has established a Compensation and Succession Planning Committee that comprises of one executive and three non-executive members of the BoD (Theodoros Pantalakakis, Chairman; Theodoros Vardas, member; Dimitrios Lalas, member; Anastasios Banos, member). It convened once in 2010 and all members were present at this meeting.

The Compensation and Succession Planning Committee has the following responsibilities:

- To propose the principles of the Company's remuneration and benefits policy for management executives – relevant decisions by the CEO are based on these principles,
- To propose the remuneration and benefits policy for senior management executives – relevant decisions by the BoD follow this policy,
- To propose to the CEO the overall compensation (fixed and variable – including stock options) for the executive members of the BoD and senior management executives of the Company,
- To propose to the General Meeting of Shareholders, through the BoD, the total compensation of the Chairman of the BoD and the CEO,
- To plan for adequate and suitable succession of General Managers and management executives, when needed, and submit relevant proposals to the BoD.

### **Other BoD Committees**

Certain committees support the BoD's work and tasks, in the previously described framework of strengthening corporate governance structures. These committees are staffed by members of the BoD (executive or non-executive) and are appointed by a decision of the Board, to which they report. Specifically, existing committees are:

- The Investment Committee, which comprises of three non-executive members of the BoD (Spyridon Pantelias, Dimitrios Lalas, Dimokritos Amallos). It was formed under BoD decision number 1161/10/20.1.2011. The Committee's responsibility is to submit proposals to the BoD on potential investments. Proposals are first discussed with the appropriate Company executives. Their suggestions are processed by the Committee and then submitted to the BoD, along with relevant documents on the implementation of investments.
- The Oil Products Procurement Committee, consisting of two executive and two non-executive members of the BoD (Anastasios Giannitsis, Ioannis Costopoulos, Dimokritos Amallos, Dimitrios Lalas). The Committee convened three times in 2010 and all members were present at each of its meetings. It was formed under BoD decision number 1059/2b/3.9.2004. The role of the Committee is to award tenders and approve oil products supplies, through a unanimous decision of its members, for the purchase, sale or transfer of crude oil and oil products over €100 million.
- The Financial and Financial Planning Committee, consisting of one executive and two non-executive members of the BoD (Theodoros Pantalakakis, Chairman; Theodoros Vardas, member; Alexandros Katsiotis, member). The Committee convened four times in 2010 and all members

were present at each of its meetings. It was formed under BoD decision number 1059/2c/3.9.2004. The role of the Committee is together with the Group CFO to review and consider issues which relate to: appointment of external auditors and annual audit plans, significant risks and risk management strategies; published annual and quarterly financial statements, as well as plans for the funding of the Group.

- The Major Projects Procurement Committee consisting of the Chairman of the BoD, the CEO and one executive member of the BoD (Anastasios Giannitsis, Ioannis Costopoulos, Theodoros Vardas). Its role is to approve orders amounting from €10 to €40 million for the upgrading projects of Elefsina and Thessaloniki refineries.
- The Labour Issues Committee, which comprises of one executive and one non-executive member of the BoD, plus the president of the most representative labour union or his deputy. The Committee did not convene in 2010. It was formed in accordance to the Company's Internal Regulation and is responsible to act as an appellate body on disciplinary penalties imposed by the relative Company disciplinary body.

## **E. Basic Strategic Goals and Prospects**

The core objective of the Group's strategy is to achieve sustainable profitable growth, based on the principles of safe and environmentally friendly operations of its plants and high specifications of its products, of corporate social responsibility and cooperation with local communities, and of adding value to its shareholders.

The main pillars supporting this strategy are presented below:

### **Refineries**

For the years 2011 and 2012, the investment programme that is currently in progress focuses on the completion of upgrading and successful starting-up and commercial operation of the Elefsina and Thessaloniki refineries. These investments are expected to bring significant benefits to the Group, such as:

- Improvement of the Greek market's security of supply with products of the highest standards.
- Flexibility in selecting the crude oil sources, as refineries will be able to effectively utilise a wide range of crude oils.
- Substantial improvement on the environmental impact levels of refinery operations.
- Increased profitability, as production of less profitable distillation products (e.g. fuel oil) will be replaced by production of more value-added products,

### **Retail Trading**

The acquisition of the Hellenic Fuels network has considerably improved the Group's position in the Greek retail market. The aim is the implementation of all synergies between the two retail companies and the refineries and the further development of the petrol stations network in the Greek market.



## **Expansion of International Retail Operations**

Profitable expansion in neighbouring international markets is today even more important than previously, due to the recession in the domestic Greek market. The main markets in which HELLENIC PETROLEUM operates are Cyprus, Montenegro, Serbia and Bulgaria. Each market faces different challenges and opportunities for growth. Specifically, of strategic importance is the safeguarding and improvement of the supply chain with the appropriate facilities in these markets, in order to support the continuous growth of the Group's business activities.

## **Operations other than Refining and Trading**

An important objective for the Group is also the securing of added value from the portfolio of activities besides refining and trading. The significant investment in the power generation and trading sector, through the joint venture with EDISON, is a major step towards diversification in the Group's investment portfolio.

## **Group Restructuring and Transformation**

The results of the last two years confirmed the importance of the efforts to transform its organisational structure and operations, transforming Hellenic Petroleum into a modern, competitive Group, both on local and regional level.

- Project DIAS, which is in progress in the refining segment with the assistance of external consultants and the participation of all refinery managers, aims to improve efficiency and enhance competitiveness of the Group.
- Similarly, the successful completion of the BEST 50 procurement cost cutting initiative, along with the decision to expand the programme, achieves further cost reduction.
- Restructuring of the Group's headquarters with collocation of EKO and Hellenic Fuels and the implementation of shared support services leading to reduced operating cost and increased service quality.
- Synergies programme between EKO and Hellenic Fuels, along with optimisation efforts for the utilization of the three refineries' facilities.

Based on the above, and despite the significant challenges posed by the developments in the Greek economy, the Group's prospects are considered positive. HELLENIC PETROLEUM's improved competitiveness, together with the systematic risk monitoring and its strong financial position, allows the Group to overcome the current crisis and continue its positive trend in the following three years.

## **F. Main Risks and Uncertainties for the Next Fiscal year**

### **F.1 Financial Risk Management**

#### **Financial Risk Factors**

The Group's activities center around the oil refining industry and the production and trading of petrochemicals, hydrocarbons research and production and the power and gas sector. Therefore, the Group is exposed to various financial risks, such as fluctuations in the price of oil in



international markets, volatility of exchange rates and interest rates, cash flow risk and risk of fair value changes due to changes in interest rates. In line with international practices and in the context of the local market and legal framework, the overall risk management programme focuses on reducing the Group's potential exposure to market volatility and/or mitigating any negative impact on the Group's financial position, to the extent possible.

Risk management related to prices of products is conducted by the commercial risk management service, which is comprised of senior executives of the trade and financial departments, while financial risks are managed by the financial services of the Group, within the authorisations framework approved by the BoD.

#### **a) Market Risk**

##### **(i) Exchange Rate Risk**

As the refining industry operates internationally on a US Dollar basis, the Group's activities are mainly exposed to the volatility of the US Dollar against the Euro. The strengthening of the US Dollar against the Euro has a positive effect on the Group's financial results while in the opposite event, both the financial results and assets (inventory, investments) would be valued at lower levels.

As a hedging method, an important part of the Group's financing is in US Dollars, creating opposite exposure to exchange rate changes. However, it should be noted that while in the case of a devaluation of the US Dollar the impact on the balance sheet is partly hedged, in the case of US Dollar's appreciation, the valuation at market value of such loans would lead to exchange-rate losses without hedged currency gains, as inventory would continue to be presented in the balance sheet at cost.

##### **(ii) Product Price Fluctuation Risk**

The core activity of the Group, namely oil refining, creates two types of exposure: to changes in absolute prices of crude oil and oil products, which affect the inventory value; and to changes in refining margins, which affect future cash flows.

As far as the risk of product price fluctuations is concerned, the level of the exposure refers to the decrease in product prices and is determined by the closing inventory, as the Group's policy is to present the closing stock at the lower between acquisition cost and net realizable value.

Exposure to risk associated with fluctuations in refining margins depends on the value of each refinery's margins. Refining margins are calculated using Platts prices of crude oil and products, which are determined on a daily basis. The fluctuations of refining margins impact the Group's profit margins respectively.

The Group aims to hedge part of the exposure to risks of crude oil and product price fluctuations and refining margins fluctuations to a percentage from 10% to 50%, depending on the prevailing market conditions.

### **(iii) Cash Flow Risk and Risk of Fair Value Changes due to Changes in Interest Rates**

The cash flow risk from changes in interest rates relates to the level of Group's borrowing with floating interest rates. Furthermore, due to the long-term investments in the sectors where the Group operates, significant increases in interest rates are likely to cause changes in fair values of such investments through the increase of the discount rate.

### **(b) Credit Risk**

The credit risk management is co-ordinated centrally at Group level. Credit risk relates mostly to wholesale customers. Creditworthiness checks are performed for all customers by the Credit Control Department, in collaboration where necessary with external credit rating agencies.

### **(c) Liquidity Risk**

Liquidity risk is managed by ensuring that efficient cash resources and adequate credit limits with banks are maintained. Due to the dynamic nature of its activities, the Group seeks to maintain flexibility in funding through credit lines.

## **F.2 Management of Capital Risk**

The Group's objective in managing capital is to ensure the smooth operation of its activities and to maintain an ideal allocation of capital, in order to reduce the cost of capital and to increase its overall optimum value.

In order for the Group to maintain or adjust its capital structure, it can alter the dividend paid to shareholders, return capital to shareholders, issue new shares or dispose assets to reduce its debt.

In line with the industry practice, the Group monitors its capital structure through the gearing ratio. This ratio is calculated by dividing the net debt to total capital employed.

The long-term objective is to maintain the gearing ratio between 20% and 45%, as significant fluctuations of crude oil prices lead to significant diversifications in total lending. The relatively high gearing ratio in recent years (35% to 40%) is primarily due to increased borrowing for the financing of upgrading projects of Elefsina and Thessaloniki refineries.

## **G. Related Party Transactions**

Transactions between the Parent Company, HELLENIC PETROLEUM SA, and related companies (within the meaning of Article 42e, Paragraph 5 of Codified Law 2190/1920) were undertaken during 2010 at an arms-length basis, both domestically and internationally.

Terms of trade were in line with applicable corporate regulations (supplies, assets under construction, etc), as approved by the BoD. The Group did not participate in any transaction of an unusual nature or content and does not intend to participate in such transactions in the future.

The table below presents intercompany sales and other intercompany transactions between the Company and its related parties during fiscal year 2010, as well as intercompany balances of receivables and liabilities as at 31.12.2010.

| <u>RELATED PARTY</u>                      | <u>TRANSACTIONS</u>       |                              |                               |                                  | <u>BALANCES</u>    |                 |
|---|---------------------------|------------------------------|-------------------------------|----------------------------------|--------------------|-----------------|
|   | <u>Sales of<br/>Goods</u> | <u>Sales of<br/>services</u> | <u>Purchases of<br/>goods</u> | <u>Purchases of<br/>services</u> | <u>Receivables</u> | <u>Payables</u> |
| <b>Group Entities</b>                     |                           |                              |                               |                                  |                    |                 |
| VARDAX                                    |                           | 2.843                        |                               |                                  | 1.052              |                 |
| OKTA SKOPIA                               | 465.482                   | 136                          |                               | 6                                | 62.103             | 1               |
| EKO BULGARIA                              | 79.272                    |                              |                               |                                  | 9.004              |                 |
| EKO SERBIA                                |                           |                              |                               |                                  | 1                  |                 |
| EKO GEORGIA                               | 17.581                    | 15                           |                               |                                  | 1.179              |                 |
| EKO ABEE                                  | 1.678.586                 | 5.948                        |                               | 5.476                            | 114.130            | 1.915           |
| ELPET VALKANIKI                           |                           |                              |                               |                                  | 24                 |                 |
| HELLENIC FUELS S.A.                       | 579.385                   | 3.037                        |                               | 139                              | 48.380             | 48              |
| EKO ATHINA                                | 75                        |                              |                               | 1.408                            | 73                 | 448             |
| EKO ARTEMIS                               | 75                        |                              |                               | 1.261                            | 71                 | 602             |
| EKO DIMITRA                               | 109                       |                              |                               | 1.958                            | 105                | 431             |
| EKO IRA                                   | 8                         |                              |                               |                                  | 6                  |                 |
| EKO AFRODITI                              | 10                        |                              |                               |                                  | 9                  |                 |
| HELPE CYPRUS                              | 220.162                   |                              |                               | 3                                | 26.698             | 3               |
| RAMOIL                                    | 7.054                     |                              |                               |                                  |                    |                 |
| JUGOPETROL AD KOTOR                       | 127.970                   |                              |                               |                                  | 5.744              |                 |
| GLOBAL SA                                 | 10.093                    | 4                            |                               |                                  | 9.398              |                 |
| POSEIDON N.E.                             |                           | 332                          |                               | 9.005                            | 211                | 2.054           |
| APOLLON N.E.                              |                           | 59                           |                               | 8.959                            | 19                 | 1.957           |
| ASPROFOS                                  |                           |                              |                               | 15.106                           | 440                | 4.430           |
| DIAXON                                    |                           |                              |                               | 15.116                           | 54                 | 13.550          |
| HELPE R.E.S.                              |                           | 1                            |                               |                                  | 2                  |                 |
| HELPE CONSULTING                          |                           |                              |                               | 114                              |                    | 140             |
|   | <b>3.185.862</b>          | <b>12.375</b>                |                               | <b>58.551</b>                    | <b>0</b>           | <b>278.702</b>  |
|   |                           |                              |                               |                                  |                    | <b>25.579</b>   |
| <b>Other Related Parties</b>              |                           |                              |                               |                                  |                    |                 |
| Public Power Corporation Hellas           | 0                         |                              | 38.513                        |                                  | 0                  | 2.630           |
| Hellenic Armed Forces                     | 149.909                   |                              |                               |                                  | 173.452            |                 |
| Public Gas Corporation of Greece S.A.     | 3                         |                              |                               |                                  | 109                |                 |
| Athens Airport Fuel Pipeline Company S.A. | 328                       |                              |                               |                                  | 48                 |                 |
| ELPEDISON B.V                             | 302                       |                              | 63                            |                                  | 664                | 0               |
| ELPE THRAKI                               | 3                         |                              |                               |                                  | 318                |                 |
| TRANSBALKAN                               | 20                        |                              |                               |                                  | 2                  |                 |
|   | <b>150.565</b>            | <b>0</b>                     | <b>38.576</b>                 | <b>0</b>                         | <b>174.593</b>     | <b>2.630</b>    |

## H. Information about Financial Instruments

The nature of the Group's activities expose the Group to significant risks, which stem mainly from the volatile and unpredictable international refining environment, as well as from the growing volatility of international financial markets.

In the context of risk management, as described in detail in the published financial statements, the Group enters into hedging transactions using financial derivatives wherever possible, aiming to protect its interests. These transactions are split into two main categories.

### Short-term Transactions

The first category involves short-term risk management and hedging transactions that protect short term profitability for the next 6 to 12 months. The results of these transactions are evaluated on a monthly basis and included in quarterly income or expenses for the corresponding period without applying hedge accounting.

## **Long-term Transactions**

The second category involves longer-term transactions that provide cover for strategic issues, such as investments, and which are disclosed in the Group's financial statements in line with the provisions of IAS 32 and 39 on Hedge Accounting. Such transactions are included in the financial statements for the fiscal year 2010 and they hedge part of the future production of the upgraded refinery at Elefsina, which is the Group's biggest investment in recent years. In particular, financial derivatives mitigate the risk of lower price differences between the products that will be replaced as a result of the new investment.

## **I. Significant Events after the end of the Reporting Period**

There are no events after the end of the reporting period either for the Group or the Company, which should be disclosed according to the International Financial Reporting Standards.

## **J. Explanatory Report of the BoD required by par.7 art. 4 of Law 3556/2007 (As per par.8 art.4 of Law 3556/2007)**

The BoD submits to the Annual General Meeting of Shareholders, an Explanatory Report on the information required by par.7 art. 4 of Law 3556/2007, pursuant to the provisions of par.8 art.4 of Law 3556/2007 as follows:

### **a) Structure of the Company's Share Capital**

The Company's share capital amounts to €666,284,703.30, divided in 305,635,185 common shares with voting rights, with a nominal value of €2.18 each. The shares are listed for trading on the Athens Exchange.

The shareholders rights arising from each share are proportionate to the percentage ownership of the Company's paid up share capital. All shares have the same rights and obligations and every share incorporates all rights and obligations provided for by law and the Company's Articles of Association.

The liability of the shareholders is limited to the nominal value of the shares they hold.

### **b) Limitations on transfer of Company Shares**

According to article 21 of law 2941/2001, which amended article 8, par. 3, section 1 of Law 2593/1998, "the Greek State's participation in the Company's share capital, may not be lower than 35% of the Company shares with voting rights, after each share capital increase. Shares held by DEKA SA are taken into account to calculate the Greek State's participation."

### **c) Significant direct / indirect holdings in the sense of articles 9 to 11 of Law 3556/2007**

According to article 14 of Law 3556/2007, the Company, HELLENIC PETROLEUM SA, disclosed to the Athens Exchange that upon written notification received on 17.12.2010 from POIH HOLDINGS LIMITED, the latter increased its shareholding by more than 3% of the Company's share capital from 19.09.2008 until 29.12.2009, compared to the last notification dated 19.08.2008.

Thus, the percent of the Company's voting rights held indirectly by POIH HOLDINGS LIMITED increased from 36.014% to 39.023%, which corresponds to 119,267,271 common shares.

Furthermore, the Company disclosed that upon written notification received from POIH HOLDINGS LIMITED and POIH INVESTMENT LIMITED on 21.12.2010, there was a change in the line of controlled businesses through which voting rights are held, as POIH HOLDINGS LIMITED transferred on 17.10.2010 to POIH INVESTMENT LIMITED the ownership stake held in PANEUROPEAN OIL & INDUSTRIAL HOLDINGS.

In addition, the Company discloses that upon written notification received from POIH HOLDINGS LIMITED and POIH INVESTMENT LIMITED on 21.12.2010, during the period from 29.12.2009 until 17.12.2010, the percentage of the Company's voting rights held indirectly by POIH INVESTMENT LIMITED is 41.051%, which corresponds to 125,466,334 common shares.

Shareholders (individuals or legal entities) holding more than 2% of the total number of the Company's shares, either directly or indirectly, are listed in the table below:

| SHAREHOLDING (31.12.2010)                |                    |                         |                    |
|--|--------------------|-------------------------|--------------------|
| Shareholder                              | Number of Shares   | % of Share Capital Held | Voting Rights      |
| Greek State                              | 83,931,553         | 27.4614                 | 83,931,553         |
| DEKA SA (owned by the Greek State)       | 24,498,751         | 8.0157                  | 24,498,751         |
| Paneuropean Oil & Industrial Holdings SA | 125,466,334        | 41.0510                 | 125,466,334        |
| Agricultural Bank of Greece SA           | 7,981,972          | 2.6116                  | 7,981,972          |
| Private & Institutional investors        | 63,756,575         | 20.8603                 | 63,756,575         |
| <b>TOTAL SHARES</b>                      | <b>305,635,185</b> | <b>100.0000</b>         | <b>305,635,185</b> |

#### d) Securities conferring special control rights

There are no Company securities (including shares) granting their owners special control rights.

#### e) Limitations on Voting Rights

According to article 21 of the Company's Articles of Association, only minority shareholders (i.e. excluding the Greek State, Paneuropean Oil and Industrial Holdings SA, as well as its associated enterprises) are entitled to vote at the special General Meeting to elect the two BoD members to represent minority shareholders.

#### f) Agreements between shareholders known to the Company, involving restrictions in the transfer of securities or the exercising of voting rights

There is an agreement between Paneuropean Oil and Industrial Holdings SA and the Greek State for restrictions in the transfer of shares.

**g) Rules for the appointment and substitution of Directors and for the amendment of the Articles of Association, which depart from the provisions of Codified Law 2190/1920**

According to article 20, paragraph 2 (a) of the Articles of Association, the Greek State appoints seven out of the total 13 BoD members, as long as it maintains at least 35% of the Company's total voting shares (article 8 of the Articles of Association). This provision may be amended, according to what is stipulated in paragraph 8 of article 20 of the Articles of Association.

According to article 20, paragraph 2 (b) of the Articles of Association, Paneuropean Oil and Industrial Holdings SA and its associated enterprises appoint two members of the BoD, on the condition that they hold at least 16.654 % of the total voting shares in the Company.

According to article 20, paragraph 2 (c) of the Articles of Association, two members of the BoD must be representatives of the Company's employees, elected by direct and universal voting and through the simple proportional representation system by the employees. This provision may be amended only through legislation (article 1, paragraph 2 of Law 2593/1998, in conjunction with article 21, paragraph 1 of Law 2941/2001).

According to article 20, paragraph 2 (d) of the Articles of Association, two members of the BoD representing minority shareholders are appointed by the General Meeting of minority shareholders (excluding the Greek State and Paneuropean Oil and Industrial Holdings SA and its associated enterprises).

**h) Power of the BoD or of the appointed members thereof for the issuing of new shares or the purchase of own shares of the Company pursuant to article 16 of Codified Law 2190/1920**

The General Meeting of shareholders may concede (article 6, paragraph 2 of the Articles of Association) to the BoD its power to increase the Company's Share Capital, pursuant to article 13, paragraph 1 (b) of Codified Law 2190/1920. However, such a decision has not been taken by the General Meeting.

The Annual General Meeting of shareholders approved a stock option plan for the years 2005 to 2007 (as years of reference). In 2008 and 2009 it approved the extension of the plan for one additional reference year. The period of exercising these granted stock options is from November 1 until December 5 of each reference year, for the periods 2008 to 2012, 2009 to 2013, 2010 to 2014 and 2011 to 2015 and for the options of reference years 2005, 2006, 2007 and 2008, respectively. Finally, the 2010 Annual General Meeting of shareholders approved the non issuance of stock options for the reference year 2009, due to the present economic situation, as well as the extension of the plan for one additional reference year i.e. for 2010, with first year of initiating the option's exercise period being 2012. It is noted that all above extensions do not increase the initially approved total number of granted stock options. According to article 2 of the stock option plan, the decision of the BoD on granting stock options is subject to the final approval of the AGM.

The General Meeting of shareholders has not decided to grant the BoD or BoD members the authority to purchase own shares of the Company amounting to 10% of the paid-in capital (unless they are to be distributed to the Company's or Group's employees), under the conditions and reservations that the proceedings of article 16 of Codified Law 2190/1920.

- i) Significant agreements put in force, amended or terminated in the event of a change in the control of the Company, following a public offer**

No such agreements exist.

- j) Significant agreements with members of the BoD or employees of the Company that provide compensation in the event of resignation or dismissal without valid reason or end of term or employment, following a public offer**

No such agreements exist.

Athens, February 24, 2011

By authority of the Board of Directors

Anastasios Giannitsis

Ioannis Costopoulos

Theodoros Vardas

Chairman of the Board

Chief Executive Officer

Executive Member of the Board

## Appendix

### Group Structure

| Company  | Relation   | %      | Activities  |
|--|--|--------|---|
| EKO SA   | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Oil products trade  |
| DIAXON SA  | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | BOPP film production / trade                                  |
| ASPROFOS SA                                      | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Energy sector engineering services                            |
| HELLENIC PETROLEUM INTERNATIONAL AG              | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Holding company for the Group's investments abroad            |
| HELLENIC PETROLEUM - POSEIDON MARITIME           | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Vessel-owning company   |
| HELLENIC PETROLEUM - APOLLO MARITIME             | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Vessel-owning company   |
| GLOBAL PETROLEUM ALBANIA SA                      | Shareholder:<br>HELLENIC PETROLEUM SA                    | 99.957 | Oil products import, purchase & trade in Albania              |
| EL.PE.T BALKAN SA                                | Shareholder:<br>HELLENIC PETROLEUM SA                    | 63     | Crude oil pipeline construction and operation                 |
| PETROLA SA                                       | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Real Estate Company   |
| HELLENIC PETROLEUM - RENEWABLE ENERGY SOURCES SA | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Production, distribution, trading of renewable energy sources |
| HELLENIC PETROLEUM FINANCE plc                   | Sole shareholder:<br>HELLENIC PETROLEUM SA               | 100    | Financing and other financial services                        |
| EKOTA KO SA                                      | Shareholder: EKO SA                                      | 49     | Construction, operation of fuel storage facilities            |
| EKO CALYPSO LTD                                  | Sole shareholder: EKO SA                                 | 100    | Retail trade of liquid fuels & LPG in Greece                  |
| EKO DIMITRA MARITIME COMPANY                     | Sole shareholder: EKO SA                                 | 100    | Tanker operation  |
| EKO ARTEMIS MARITIME COMPANY                     | Sole shareholder: EKO SA                                 | 100    | Tanker operation  |
| EKO ATHENA MARITIME COMPANY                      | Sole shareholder: EKO SA                                 | 100    | Tanker operation  |
| EKO IRA MARITIME COMPANY                         | Sole shareholder: EKO SA                                 | 100    | Tanker operation  |
| EKO APHRODITE MARITIME COMPANY                   | Sole shareholder: EKO SA                                 | 100    | Tanker operation  |
| HELLENIC PETROLEUM CYPRUS LTD                    | Sole shareholder:<br>HELLENIC PETROLEUM INTERNATIONAL AG | 100    | Oil products trade, distribution and storage in Cyprus        |
| RAM OIL LTD                                      | Sole shareholder:<br>HELLENIC PETROLEUM INTERNATIONAL AG | 100    | Oil products trade, distribution and storage in Cyprus        |



| Company   | Relation   | %     | Activities   |
|---|--|-------|--|
| JUGOPETROL AD KOTOR                                 | Shareholder:<br>HELLENIC PETROLEUM<br>INTERNATIONAL AG             | 54.35 | Oil products trade, distribution<br>and storage in Montenegro                          |
| HELLENIC PETROLEUM<br>BULGARIA (Holdings) LTD       | Sole shareholder:<br>HELLENIC PETROLEUM<br>INTERNATIONAL AG        | 100   | Oil products trade and<br>distribution in Bulgaria                                     |
| HELLENIC PETROLEUM<br>SERBIA (Holdings) LTD         | Sole shareholder:<br>HELLENIC PETROLEUM<br>INTERNATIONAL AG        | 100   | Oil products trade and<br>distribution in Serbia                                       |
| HELLENIC PETROLEUM<br>GEORGIA (Holdings)LTD         | Sole shareholder:<br>HELLENIC PETROLEUM<br>INTERNATIONAL AG        | 100   | Oil products trade and<br>distribution in Georgia                                      |
| EL.PE. INTERNATIONAL<br>CONSULTANTS SA              | Sole shareholder:<br>HELLENIC PETROLEUM<br>INTERNATIONAL AG        | 100   | Provision of consulting<br>services to the Group's<br>companies abroad                 |
| HELLENIC FUELS SA<br>(former BP Hellas)             | Sole shareholder:<br>HELLENIC PETROLEUM<br>INTERNATIONAL AG        | 100   | Oil products trade, distribution<br>and storage in Greece                              |
| EKO BULGARIA EAD                                    | Sole shareholder:<br>HELLENIC PETROLEUM<br>BULGARIA (Holdings) LTD | 100   | Oil products trade in Bulgaria   |
| HELLENIC PETROLEUM<br>BULGARIA PROPERTIES<br>EAD SA | Sole shareholder:<br>HELLENIC PETROLEUM<br>BULGARIA (Holdings) LTD | 100   | Oil products trade in Bulgaria   |
| EKO-SERBIA AD-<br>BEOGRAD                           | Sole shareholder:<br>HELLENIC PETROLEUM<br>SERBIA (Holdings) LTD   | 100   | Oil products trade in Serbia   |
| EKO GEORGIA LTD                                     | Shareholder:<br>HELLENIC PETROLEUM<br>GEORGIA (Holdings) LTD       | 99    | Oil products purchases, imports,<br>exports, distribution & sales in<br>Georgia        |
|   | Shareholder:<br>HELLENIC PETROLEUM SA                              | 1     |  |
| EKO PETROLEUM<br>ALBANIA SHPK                       | Shareholder:<br>GLOBAL PETROLEUM<br>ALBANIA SA                     | 100   | Oil and oil products trade<br>and retail sales, fuel stations<br>management in Albania |
| OKTA AD SKOPJE                                      | Shareholder:<br>EL.PE.T BALKAN SA                                  | 81.51 | Crude oil refining, oil products<br>import and trade in Skopje                         |
| VARDAX SA   | Sole shareholder:<br>EL.PE.T BALKAN SA                             | 80    | Crude oil pipeline operation<br>Thessaloniki - Skopje<br>(OKTA)                        |

**RELATED COMPANIES THAT ARE CONSOLIDATED THROUGH THE EQUITY METHOD AND OTHER INVESTMENTS**

| Company  | Relation  | %     | Activities   |
|--|---|-------|--|
| DEPA SA  | Shareholder:<br>HELLENIC PETROLEUM SA                       | 35    | Natural gas Import & Distribution in Greece                                |
| ARTENIUS Hellas SA                                 | Shareholder:<br>HELLENIC PETROLEUM SA                       | 35    | PET plastic producer   |
| ATHENS AIRPORT FUEL PIPELINE COMPANY SA (AAFPC SA) | Shareholder:<br>HELLENIC PETROLEUM SA                       | 50    | Aspropyrgos – Spata airport pipeline                                       |
| THRACE SA  | Shareholder:<br>HELLENIC PETROLEUM SA                       | 25    | Burgas - Alexandroupoli pipeline   |
| TRANS BALKAN PIPELINE BV                           | Shareholder: THRACE SA                                      | 23.5  |  |
| ELPEDISON BV                                       | Shareholder:<br>HELLENIC PETROLEUM SA                       | 5     | Power generation and trading   |
|  | Shareholder:<br>HELLENIC PETROLEUM INTERNATIONAL AG         | 45    |  |
| ELPEDISON TRADING SA                               | Shareholder: ELPEDISON BV                                   | 100   | Electricity  |
| ELPEDISON ELECTRIC POWER PRODUCTION SA             | Shareholder: ELPEDISON BV                                   | 75    | Electricity  |
| SAFCO  | Shareholder: EKO SA   | 25    | Aircraft refuelling  |
| BIODIESEL SA                                       | Shareholder: HELLENIC PETROLEUM-RENEWABLE ENERGY SOURCES SA | 25    | Aircraft refuelling  |
| STPC LLC (ELPE Calfrac)                            | Participation:<br>HELLENIC PETROLEUM SA                     | 25    | Research in the North Aegean   |
| MELROSE, Kuwait Energy Company & ELPE              | Participation:<br>HELLENIC PETROLEUM SA                     | 30    | Research in the MESAHA region, Upper Egypt                                 |
| EDAP-T.P.TH  | Shareholder:<br>HELLENIC PETROLEUM SA                       | 6.67  | Management and development of the technological park in Thessaloniki       |
| NAPC UNDER LIQUIDATION                             | Participation:<br>HELLENIC PETROLEUM SA                     | 16.67 |  |
| MONTENEGRO MEDUSA                                  | Participation:<br>JUGOPETROL AD KOTOR                       | 49    | Research and production of hydrocarbons in three sea regions of Montenegro |
|  | Shareholder:<br>HELLENIC PETROLEUM INTERNATIONAL AG         | 11    |  |

## **BoD Members Biographies**

### **Anastasios Giannitsis, Chairman, executive member of the BoD**

*Studies:* University of Athens (1962-1969), Free University of Berlin (1969-1974)

*Previous positions – engagements:* Has held various positions in scientific, public and private organisations, was advisor to the Ministry of Finance during 1982-1986, Chairman of the Council of Economic Advisors during 1993-1994. Was a member of the Aggelopoulos Committee (1994), economic advisor to Prime Ministers Andreas Papandreou (1994-1995) and Kostas Simitis (1996-2000), was appointed Minister of Labour and Social Services (2000-2001), Alternate Minister of Foreign Affairs (2001-2004) and Minister of Foreign Affairs (February-March 2004).

*Current positions – engagements:* He is a professor in the Economics Department of the University of Athens. Since December 2009, he is the Chairman of the Board of Directors of HELLENIC PETROLEUM SA.

### **Ioannis Costopoulos, Chief Executive Officer, executive member of the BoD**

*Studies:* Holds a BSc degree in Economics from the University of Southampton, UK and an MBA from the University of Chicago, USA

*Previous positions – engagements:* From 1979 to 1982 he worked with Procter & Gamble in Geneva, Switzerland. From 1982 to 1986 he held VP and Director's positions in Corporate and Investment Banking at the Chase Manhattan Bank in New York and London. From 1986 to 1991 he was a Principal at Booz Allen & Hamilton based in London, working on strategy development and organisational change projects. Returning to Greece in 1991, he assumed a number of senior management positions: CEO of Metaxa SA (1991-1997), CEO of Johnson & Johnson Hellas SA and Regional Director of Johnson & Johnson Central and Eastern Europe (1998 – 2000). From 2001 to 2003 he was Vice-Chairman and CEO of Petrola Hellas SA, an ATHEX-listed oil refining and trading company. Since 2003, following the merger of Petrola Hellas SA with HELLENIC PETROLEUM SA, he joined the Company's Board of Directors. In June 2006 he became an Executive Board Member.

*Current positions – engagements:* He was appointed CEO of HELLENIC PETROLEUM SA in December 2007. He is a member of the BoDs of the Hellenic Federation of Enterprises (SEV), of the Foundation for Economic & Industrial Research, of the Hellenic-American Chamber of Commerce, as well as of Fourlis Holdings SA. Besides his position in the Company, he is Vice-chairman of the BoDs of EKO and Hellenic Fuels – both subsidiaries of the Group – as well as member of the BoD of Elpedison.

### **Theodoros–Achilleas Vardas, executive member of the BoD**

*Studies:* PhD from the Systems Engineering Department of the Chemical Engineering School at the Swiss Federal Institute of Technology in Zurich, Switzerland and a Degree in Chemical Engineering from the same institute.

*Previous positions – engagements:* Began his professional career in 1979 at the Latsis Group, where he worked in key positions and in 1981 as General Manager of Petroleum Products Trading. From 1988 to 2003 he was the Deputy CEO and member of the BoD of Petrola Hellas SA and from 1999 to 2003 a member of the BoD of Papastratos SA.

*Current positions – engagements:* Member of the BoD and Management Consultant of HELLENIC PETROLEUM SA since October 2003, member of the BoD of DEPA SA since May 2004, executive member of the BoD of HELLENIC PETROLEUM SA since December 2007.

**Georgios Kallimopoulos, non-executive member of the BoD**

*Studies:* He holds a Law Degree from the University of Athens Law School and a Doctorate (Dr. Jur.) from the University of Tübingen, Germany.

*Previous positions – engagements:* Honorary President of the Civil Law Attorneys' Association, President of the Greek Union of Banking & Capital Market Law, Chairman of the Organising Committee for the 2nd European Jurists Forum (2003), Legal Adviser of the National Investment Bank for Industrial Development (1970-1978), Legal Counsel of the Bank of Greece (1978-1986), Legal Advisor of the Prime Minister, X. Zolotas, (1989-1990), Member of the National Legislative Committee (1990-1993), of the Legal Council of the Bank of Greece (1986-2006),

*Current positions – engagements:* Attorney at Law at the Athens Bar since 1958, Professor at the Athens Law School, President of the Legal Council of the Hellenic Bank Association (2007-today).

**Dimokritos Amallos, non-executive member of the BoD**

*Studies:* Holds a Bachelor's Degree in Economics from the University of Athens and a Master of Philosophy from the University of Cambridge.

*Previous positions – engagements:* Member of the management of many information technology companies, such as Singular SA (Software – CFO, deputy general manager, member of the BoD, shareholder), Oneworld SA (Internet & communications – member of the BoD), Decision SA (IT services – member of the BoD), Euroskills SA (Business training – member of the BoD), Sanyocom (Mobile telephony – member of the BoD). He has also participated in the administration of many companies such as: AMTE SA (Construction – member of the BoD), Panathinaikos FC (member of the BoD), Technimon (family owned construction) and for six years was a deputy member of the Hellenic Competition Committee as a representative of the Hellenic Federation of Enterprises.

*Current positions – engagements:* He founded the financial services company “D. Amallos and Co Ltd” (AMBA Ltd.) in 2007. He is also a member of the BoD of Qualco SA (IT services)

**Alexandros Katsiotis, non-executive member of the BoD**

*Studies:* Degree from the Economics Department of the Macedonia School of Industrial Studies and a Marketing Degree from the private ICBS University in Thessaloniki.

*Previous positions – engagements:* Began his professional career in 1979 in Elgeka SA, where he was appointed CEO in 1998.

*Current positions – engagements:* Besides his position in HELLENIC PETROLEUM SA, he is currently Chairman and CEO of Elgeka SA, Diakinisis and Biotros; CEO of BHTA PI, Sambrook Pharmaceutical SA and Medihelm; and Vice-Chairman of Elgeka Ferfellis Romania. He is also a member of the BoD at Ethniki Insurance and Nutriart.

**Dimitrios Lalas, non-executive member of the BoD**

*Studies:* Degree from Hamilton College (BSc. [Hons] Physics, 1962) Aeronautical Engineering (M.Aero.Eng.1965) and Aerospace Engineering (PhD, 1968) at Cornell University

*Previous positions – engagements:* Professor at the Meteorology Department of the University of Athens. Also, Professor at Wayne State University, Michigan and the University of Colorado/CIRES. Has served as President of the National Centre of Renewable Resources, Chairman of the BoD of Public Petroleum Corporation and Director and Chairman of the BoD of the National Observatory of Athens. Was Scientific Project Manager for over 40 research programs in the USA and Europe, and worked as Advisor to the Ministries of Development; Environment Energy & Climate Change; Environment, Physical Planning & Public Works; Finance; in the RESEARCH, TREN and REGIONAL POLICY General Directorates of the European Commission; in the Conphoebus Research Energy Centre, Italy; at NASA 's Goddard Space Centre; at the US National Centre for Atmospheric Research; and at the Ford and General Motors research centres. Has participated as National Representative in the international negotiations for Climate Change (1993-2007), Vice President in the National Committee for combating Desertification (1997-2004), member of the Advisory Group for Global Change, Climate & Biodiversity of the 12<sup>th</sup> General Directorate for the Research of the European Commission (1998-2002), President of the Hellenic Wind Energy Association (HWEA) (1991-1999), National representative in the Monitoring Committee of Energy Programme JOULE of the General Directorate for the Research as well as THERMIE of the General Directorate for Energy of the European Commission (1995-1999).

*Current positions – engagements:* Advisor at consulting firm FACE<sup>3</sup>TS SA that specialises in the areas of energy and the environment, with emphasis on green development, National Representative in international negotiations for Climate Change, Coordinator of the National Committee for reaching the 20-20-20 goals of the European Union, member of the National Committee of Energy Planning, member of the BoD of ETVA VI.PE, member of the BoD of Hellenic Wind Energy Association, Vice President of the Hellenic Society for the Protection of the Environment and the Cultural Heritage, as well as a member of the Scientific Counsel of the Institute of Local Administration of KEDKE.

#### **Gerasimos Lahanas, non-executive member of the BoD**

*Studies:* Degree in architecture from the Politecnico Di Milano in Milan.

*Previous positions – engagements:* Established an architectural firm in 1990, having since issued studies in many fields of architectural projects in Greece and abroad. Architect and technical advisor in the Journalists' Social Security and Healthcare Organization (EDOEP) and the Journalists' Union of Athens Daily Newspapers (ESIEA). From 1995 to 2000 he was Chairman of the BoD at General Tourist Enterprises SA.

*Current positions – engagements:* He is a member of the Technical Chamber of Greece and of the Greek Architects Association.

#### **Anastasios Banos, non-executive member of the BoD**

*Studies:* Degree from University of Athens Law School (1975 to 1981)

*Previous positions – engagements:* Attorney at Law at the Athens Bar (1981-1985), member of the Legal Counsel of the State (1985-2009, currently associate judge), associate to the Ministers of Industry (1994-1996) and (1996-1998); Interior, Decentralization & E-government (1998-2000); Environment, Physical Planning & Public Works (2000-2004). Member of the BoD of the Hellenic Tourism Development Company (1996-1999), member of the BoD Ktimatologio SA (2000 – 2004).

*Current positions – engagements:* Detached as special advisor in the Office of the Minister of Finance.

**Alexios Athanassopoulos, non-executive member – employee representative**

Holds a degree in Oil Technology Engineering from the Technological Educational Institute of Kavala and a degree in Chemical Engineering from the National Technical University of Athens. He has been working for the Company since 1994. He was a member of the BoD of the Union (PSEEP). Since March 2008, he is the elected representative at the General Confederation of Greek Workers (GSEE). In March 2008 he was elected as employee representative in the Company's BoD.

**Panagiotis Ofthalmidis, non-executive member – employee representative**

Holds a degree in Electrical Engineering from the Technological Educational Institute of Kavala. He has been working for HELLENIC PETROLEUM SA since 1989, in the department of Electrical Maintenance of Refinery and Chemical Plants of Industrial Installations in Thessaloniki. He has been President of the Pan-Hellenic Labour Union of the Company. In March 2008 he was elected as employee representative in the Company's BoD.

**Theodoros Pantalakis, non-executive member – minority shareholders representative**

*Studies:* Holds a degree in Business Administration from the Piraeus Graduate School of Industrial Studies

*Previous positions – engagements:* From 1980 to 1991 he worked at the National Bank of Investments & Industrial Development (ETEBA). Additionally, from 1983 to 1985 he was associate of the Deputy Minister of National Economy Mr. Kostis Vaitso, and from 1985 to 1988 was the Office Director of the Deputy Minister of National Economy Mr. Theodoros Karantzias. From 1991 to 1996 he was Assistant General Manager in the Interamerican group. From March 1996 to April 2004 he held the position of Deputy Governor of the National Bank of Greece, while at the same time he served as Chairman, Vice-Chairman or member of the BoD in several of the bank's subsidiaries. He was also Vice-Chairman of the Athens Stock Exchange, President of the Central Depository, President of the Executive Committee of the Hellenic Bank Association et.al. On May 2004 he was appointed Vice-Chairman of the BoD of Piraeus Bank and from January 2009 to December 2009 he was the Vice-Chairman and Deputy-CEO of the Piraeus Bank Group. He was also Chairman of the BoD of Piraeus AEEAP (now Trastor AEEAP) and the Chairman of Europaiki Pisti AEGA insurance company.

*Current positions – engagements:* In December 2009 he was appointed Chairman of the BoD – Governor of ATE Bank (Agricultural Bank of Greece). He is also Chairman of the BoD in several of the bank's subsidiaries and a member of the BoD of the Hellenic Bank Association

**Spyridon Pantelias, non-executive member – minority shareholders representative**

*Studies:* Holds a PhD and Master's Degree in Economics from the University of Washington, St. Louis, as well as a Degree in Economics from the University of Athens.

*Previous positions – engagements:* A banker with significant experience in the financial services sector. He was General Manager of the Bank of Cyprus group – Head of investment banking, asset management and brokerage. From 2005 to 2007 he held the position of Deputy General Manager at Emporiki Bank, from 2002 to 2004 General Manager of EFG Telesis Finance and in 2000 to 2002 Deputy General Manager at Geniki Bank. He has also worked in the National Bank of Greece, the Hellenic Bank Association and the Reuters News Agency.

*Current positions – engagements:* Executive Vice Chairman of the BoD of TT Hellenic Post Bank.

### **3. Statement of the Chairman, Chief Executive Officer and one Director on the true presentation of the Annual Financial Report**

**Statement of the Chairman, Chief Executive Officer and one Director on the true presentation of the Annual Financial Report**

**(Pursuant to article 4 par. 2 of Law no. 3556/2007)**

Pursuant to provisions of article 4, par. 2(c) of Law 3556/2007, we state that, to our best knowledge:

- a. The annual financial statements, which were prepared in accordance with the applicable International Financial Reporting Standards, fairly represent the assets and liabilities, the equity and of the parent company HELLENIC PETROLEUM S.A. for 2010, as well as of the companies that are included in the consolidation taken as a whole.
- b. This Annual Report fairly represents the performance, results of operations and financial position of the parent company Hellenic Petroleum S.A. and of the Group companies included in the consolidation taken as a whole, as well as a description of the main risks and uncertainties.

Athens, 24 February 2011

Anastasios Giannitsis

Ioannis Costopoulos

Theodoros Vardas

Chairman of the Board

Chief Executive Officer

Executive Member of the Board



#### **4. Independent Auditor's Report on the Annual Financial Statements and the Annual Financial Report**



## **Independent auditor's report**

We have audited the accompanying consolidated financial statements of Hellenic Petroleum S.A. (the "Company") and its subsidiaries (together, the "Group"), set out in pages 7 to 59, which comprise the statement of financial position as of 31 December 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2010, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

### **Reference on Other Legal and Regulatory Matters**

- a) Included in the Board of Directors' Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.
- b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying financial statements in accordance with the requirements of articles 43a, 108 and 37 of Codified Law 2190/1920.



Athens, 25 February 2011  
The Certified Auditor Accountant

PricewaterhouseCoopers S.A.

SOEL Reg. No. 113

Marios Psaltis  
SOEL Reg.No. 38081

- 5. Complementary information and data pursuant to decision no. 7/448/11.10.07 of the Capital Market Commission**

## **5.1 Information required as per article 10 of L. 3401/2005**

Pursuant to decision 7/448/11.01.2007 article 1 of the Capital Market Commission's Board of Directors and the provision of article 10 of L. 3401/2005, the company informs investors of the following announcements submitted to the Athens Stock Exchange and Capital Market Commission supervisory authorities during the fiscal year 2010, in accordance with applicable law.

The full text of these announcements can be found on the company's website at the following electronic address:

### **A) INTERIM FINANCIAL STATEMENTS**

|          |   |
|----------|---|
| 25.02.10 | HELLENIC PETROLEUM S.A. & GROUP 2009 Annual Financial Statements  |
| 20.05.10 | HELLENIC PETROLEUM S.A. & GROUP 1 <sup>st</sup> quarter 2010 Interim Financial Statements                       |
| 24.08.10 | HELLENIC PETROLEUM S.A. & GROUP 1 <sup>st</sup> half /2 <sup>nd</sup> quarter 2010 Interim Financial Statements |
| 24.11.10 | HELLENIC PETROLEUM S.A. & GROUP nine month /3 <sup>rd</sup> quarter 2010 Interim Financial Statements           |

### **B) PRESS RELEASES REGARDING THE INTERIM FINANCIAL STATEMENTS**

|          |   |
|----------|---|
| 25.02.10 | Press release for the annual results of fiscal year 2009  |
| 20.05.10 | Press release for the 1 <sup>st</sup> quarter results of fiscal year 2010                           |
| 24.08.10 | Press release for the 1 <sup>st</sup> semester/ 2 <sup>nd</sup> quarter results of fiscal year 2010 |
| 24.11.10 | Press release for the nine month/3 <sup>rd</sup> quarter results of fiscal year 2010                |

### **C) GENERAL SHAREHOLDERS' MEETINGS / GENERAL MEETING RESOLUTIONS / DIVIDENDS**

|          |  |
|----------|--|
| 06.05.10 | Invitation to the Annual Ordinary General Shareholders' Meeting    |
| 03.06.10 | Resolutions of the Annual Ordinary General Meeting of Shareholders |
| 14.06.10 | Announcement of dividend payment for fiscal year 2009              |
| 25.08.10 | Announcement of interim dividend payment for fiscal year 2010      |

## **D) CORPORATE ACTIVITY**

|          |  |
|----------|--|
| 22.03.10 | Signing of Syndicated Credit Facility Agreement  |
| 26.05.10 | Strong EIB support for new energy investments in Greece  |
| 16.12.10 | HELLENIC PETROLEUM SA and VEGAS OIL & GAS SA are joining efforts for Exploration and Production in West Obayed area, Western Desert, Egypt |

## **E) SENIOR EXECUTIVES CHANGES - LABOUR ISSUES**

|          |  |
|----------|--|
| 26.02.10 | Announcement of organization restructuring |
| 22.03.10 | Amendment of organization chart            |
| 28.04.10 | Amendment of organization chart            |
| 28.04.10 | Amendment of organization chart            |
| 21.05.10 | Announcement of organization restructuring |
| 30.06.10 | Announcement of organization restructuring |
| 30.08.10 | Announcement of resignation                |
| 23.09.10 | Amendment of organization chart            |
| 25.11.10 | Announcement of organization restructuring |

## **F) MISCELLANEOUS**

|          |  |
|----------|--|
| 15.01.10 | Announcement of 4Q/Full year 2009 Financial                    |
| 05.02.10 | Announcement of Company's Headquarters relocation              |
| 06.04.10 | Financial calendar 2010  |
| 10.05.10 | Announcement of Q1-2010 Financial Results                      |
| 22.07.10 | Announcement of H1/Q2-2010 Financial Results                   |
| 03.08.10 | Announcement of H1/Q2-2010 Financial Results (correction)      |
| 02.11.10 | Announcement of Nine Month/ Q3-2010 Financial Results          |
| 22.12.10 | Announcement of Regulated Information, pursuant to Law 3556/07 |

## **5.2 Published Summary Financial Statements**

## HELLENIC PETROLEUM S.A..

A.R.M.A.E 2443/06/B/23

54 AMALIAS AVE - 10558 ATHENS

FINANCIAL DATA AND INFORMATION FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2010  
In accordance with decision of the Board of Directors of the Capital Market Commission 4/507/28.04.2009

The following financial data and information are only for general information purposes with regard to the financial position and results of HELLENIC PETROLEUM Group and the parent company. We, therefore, recommend to the reader, before making any investment decision, or proceeding to any transaction with the company, to refer to the company's internet address, where the annual financial statements in accordance with International Financial Reporting Standards are available, together with the auditors' report.

## INFORMATION ABOUT THE COMPANY

Head office Address:  
A.R.M.A.E54 AMALIAS AVE - 10558 ATHENS  
2443/06/B/86/23

Board of Directors :

## EXECUTIVE MEMBERS

ANASTASIOS GIANNITSIS – Chairman of the Board (since 2/12/2009)  
EFTHIMIOS CHRISTODOULOU Chairman of the Board (until 2/12/2009)  
JOHN KOSTOPOULOS Chief Executive Officer  
THEODOROS-ACHILLEAS VARDAS  
NIKOLAOS LERIOS (until 11/12/2007)

## NON EXECUTIVE MEMBERS

GERASSIMOS LAXANAS (since 11/12/2007)  
GERASSIMOS LAXANAS (since 28/12/2009)  
ANASTASIOS BANOS (since 28/12/2009)  
THEODOROS PANTALAKIS (since 28/12/2009)  
DIMITRIOS LALAS (since 28/12/2009)  
SPYRIDON PANTELAS (since 28/12/2009)  
DIMOKRITOS AMALLOS (since 28/12/2009)  
ALEXANDROS KATSIOTIS (since 28/12/2009)  
ALEXIOS ATHANASOPOULOS (since 14/5/2008)

PANAGIOTIS OFTHALMIDIS (since 14/5/2008)  
PANAGIOTIS PAVLOPOULOS (until 28/12/2009)  
VASILIOS BAGIOKOS (until 28/12/2009)  
ELISAVET TYIPALDOY-LOVERDOU (until 28/12/2009)  
IASON STRATOS (until 28/12/2009)  
IOULIA ARMAGOU (7/8/2008 - 28/12/2009)  
NIKOLAOS PEFKIANAKIS ( 5/5/2009 -28/12/2009)  
DIMITRIOS MILIAKOS (14/5/2008 - 2/12/2009)

Website :

http://www.helpe.gr

Approval date of the annual financial statements by the Board of Directors

24 FEBRUARY 2011

The Certified Auditor:

Marios Psaltis, (SOEL reg.no.38081)

Auditing Company:

PricewaterhouseCoopers S.A.

Type of Auditor's Review Opinion:

Unqualified

## 1.1 STATEMENT OF FINANCIAL POSITION

(Amounts in thousands €)

|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31/12/2010       | 31/12/2009       | 31/12/2010       | 31/12/2009       |
| <b>ASSETS</b>  |                  |                  |                  |                  |
| Property, plant and equipment  | 2.668.495        | 2.114.759        | 1.901.566        | 1.307.928        |
| Intangible assets  | 165.148          | 184.049          | 9.971            | 11.801           |
| Other non-current assets   | 723.064          | 680.869          | 712.825          | 707.492          |
| Inventories  | 1.600.625        | 1.373.953        | 1.425.693        | 1.211.492        |
| Trade and other receivables  | 938.837          | 915.683          | 765.858          | 785.964          |
| Held to maturity securities  | 167.968          | 0                | 167.968          | 0                |
| Other current assets   | 595.757          | 491.196          | 220.000          | 127.809          |
| Available-for-sale non-current assets                                | 2.078            | 2.716            | 41               | 21               |
| <b>TOTAL ASSETS</b>  | <b>6.861.972</b> | <b>5.763.225</b> | <b>5.203.922</b> | <b>4.152.507</b> |
| <b>EQUITY AND LIABILITIES</b>  |                  |                  |                  |                  |
| Share capital  | 666.285          | 666.285          | 666.285          | 666.285          |
| Share premium  | 353.796          | 353.796          | 353.796          | 353.796          |
| Retained earnings and other reserves                                 | 1.366.803        | 1.347.213        | 887.460          | 894.879          |
| <b>Capital and reserves attributable to Company Shareholders (a)</b> | <b>2.386.884</b> | <b>2.367.294</b> | <b>1.907.541</b> | <b>1.914.960</b> |
| Non-controlling interests (b)  | 144.734          | 141.246          | 0                | 0                |
| <b>TOTAL EQUITY (c) = (a) + (b)</b>                                  | <b>2.531.618</b> | <b>2.508.540</b> | <b>1.907.541</b> | <b>1.914.960</b> |
| Long-term borrowings   | 1.127.878        | 607.805          | 815.142          | 259.673          |
| Provisions and other long term liabilities                           | 310.415          | 296.274          | 197.942          | 179.652          |
| Short-term borrowings  | 1.297.103        | 1.304.843        | 803.604          | 879.709          |
| Other short-term liabilities   | 1.594.958        | 1.045.763        | 1.479.693        | 918.513          |
| <b>Total liabilities (d)</b>   | <b>4.330.354</b> | <b>3.254.685</b> | <b>3.296.381</b> | <b>2.237.547</b> |
| <b>TOTAL EQUITY AND LIABILITIES (c) + (d)</b>                        | <b>6.861.972</b> | <b>5.763.225</b> | <b>5.203.922</b> | <b>4.152.507</b> |

## 1.2 STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR

(Amounts in thousands €)

|  | GROUP                   |                         | COMPANY                 |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
|  | 1/1/2010-<br>31/12/2010 | 1/1/2009-<br>31/12/2009 | 1/1/2010-<br>31/12/2010 | 1/1/2009-<br>31/12/2009 |
| <b>Turnover</b>  | 8.476.805               | 6.756.666               | 7.681.580               | 6.172.586               |
| <b>Gross profit</b>  | 816.029                 | 713.830                 | 488.097                 | 433.144                 |
| <b>Earnings Before Interest &amp; Tax</b>                                      | 343.913                 | 261.227                 | 294.622                 | 236.489                 |
| <b>Profit before Tax</b>   | 298.713                 | 242.414                 | 247.753                 | 219.014                 |
| Less : taxes   | (111.294)               | (66.152)                | (93.800)                | (56.498)                |
| <b>Profit for the period</b>   | <b>187.419</b>          | <b>176.262</b>          | <b>153.953</b>          | <b>162.516</b>          |
| <b>Attributable to:</b>  |                         |                         |                         |                         |
| Owners of the parent   | 179.818                 | 174.890                 | 0                       | 0                       |
| Non-controlling interests  | 7.601                   | 1.372                   | 0                       | 0                       |
|  | <b>187.419</b>          | <b>176.262</b>          | <b>0</b>                | <b>0</b>                |
| Other comprehensive income for the year, net of tax                            | (23.070)                | 2.372                   | (25.188)                | 7.425                   |
| <b>Total comprehensive income for the year</b>                                 | <b>164.349</b>          | <b>178.634</b>          | <b>128.765</b>          | <b>169.941</b>          |
| <b>Attributable to:</b>  |                         |                         |                         |                         |
| Owners of the parent   | 157.208                 | 178.780                 | 0                       | 0                       |
| Non-controlling interests  | 7.141                   | (146)                   | 0                       | 0                       |
|  | <b>164.349</b>          | <b>178.634</b>          | <b>0</b>                | <b>0</b>                |
| <b>Basic and diluted earnings per share (in Euro per share)</b>                | <b>0,59</b>             | <b>0,57</b>             | <b>0,50</b>             | <b>0,53</b>             |
| <b>Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)</b> | <b>496.848</b>          | <b>385.906</b>          | <b>371.512</b>          | <b>310.593</b>          |

## 1.3 STATEMENT OF CHANGES IN EQUITY

(Amounts in thousands €)

|  | GROUP            |                  | COMPANY          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 31/12/2010       | 31/12/2009       | 31/12/2010       | 31/12/2009       |
| <b>Total equity at beginning of the year</b> | <b>2.508.540</b> | <b>2.473.666</b> | <b>1.914.960</b> | <b>1.881.389</b> |
| Finalisation of PPA of BP Hellas (Note 33)   | (1.434)          |                  |                  |                  |
| <b>Revised opening as at 1 January 2010</b>  | <b>2.507.106</b> | <b>2.473.666</b> | <b>1.914.960</b> | <b>1.881.389</b> |
| Total comprehensive income for the year      | 164.349          | 178.634          | 128.765          | 169.941          |
| Dividends                                    | (137.536)        | (137.536)        | (137.536)        | (137.536)        |
| Other equity movements                       | (2.301)          | (6.224)          | 1.352            | 1.166            |
| <b>Total equity at the end of the year</b>   | <b>2.531.618</b> | <b>2.508.540</b> | <b>1.907.541</b> | <b>1.914.960</b> |

## 1.4 STATEMENT OF CASH FLOWS

(Amounts in thousands €)

|   | GROUP                   |                         | COMPANY                 |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 1/1/2010-<br>31/12/2010 | 1/1/2009-<br>31/12/2009 | 1/1/2010-<br>31/12/2010 | 1/1/2009-<br>31/12/2009 |
| <b>Cash flows from operating activities</b>                                 |                         |                         |                         |                         |
| Profit before tax   | 298.713                 | 242.414                 | 247.753                 | 219.014                 |
| <b>Adjustments for:</b>   |                         |                         |                         |                         |
| Depreciation and amortisation of tangible and intangible assets             | 156.795                 | 128.863                 | 80.021                  | 77.532                  |
| Amortisation of government grants   | (3.860)                 | (4.184)                 | (3.131)                 | (3.428)                 |
| Provisions  | 38.034                  | 52.981                  | 25.528                  | 20.320                  |
| Foreign exchange (gains) / losses   | 14.223                  | (1.512)                 | 12.539                  | (3.591)                 |
| Loss / (Profit) on sale of fixed assets and other movements                 | (292)                   | (1.321)                 | 0                       | 51                      |
| Income from participations and investments                                  | (30.028)                | (18.418)                | (11.879)                | (17.110)                |
| Interest expense  | 72.704                  | 54.431                  | 36.834                  | 25.946                  |
| Interest income   | (13.270)                | (20.914)                | (4.273)                 | (10.201)                |
|   | <b>533.019</b>          | <b>432.340</b>          | <b>383.392</b>          | <b>308.533</b>          |
| <b>Changes in working capital</b>   |                         |                         |                         |                         |
| (Increase) / decrease in inventories  | (227.345)               | (353.390)               | (215.302)               | (270.770)               |
| (Increase) / decrease in trade and other receivables                        | (41.672)                | 16.426                  | 15.232                  | (59.109)                |
| Increase / (decrease) in payables   | 453.701                 | 266.828                 | 469.240                 | 155.378                 |
| <b>Less:</b>  |                         |                         |                         |                         |
| Interest paid   | (72.061)                | (53.919)                | (37.024)                | (25.121)                |
| Income tax paid   | (13.552)                | (16.659)                | (1.425)                 | (5.196)                 |
| <b>Net cash (used in) / generated from operating activities (a)</b>         | <b>632.090</b>          | <b>291.626</b>          | <b>614.113</b>          | <b>103.715</b>          |
| <b>Cash flows from investing activities</b>                                 |                         |                         |                         |                         |
| Acquisitions of subsidiaries  | (6.819)                 | (336.798)               | 6.210                   | (674)                   |
| Purchase of tangible & intangible assets                                    | (709.338)               | (613.944)               | (676.754)               | (524.617)               |
| Grants received   | 8.986                   | 3.983                   | 131                     | 3.899                   |
| Cash from sale of plant and equipment & tangible assets                     | 131                     | 4.075                   | -                       | -                       |
| Interest received   | 13.270                  | 20.914                  | 4.273                   | 10.201                  |
| Dividends received  | 4.462                   | 9.658                   | 11.844                  | 18.448                  |
| <b>Net cash used in investing activities (b)</b>                            | <b>(689.308)</b>        | <b>(912.112)</b>        | <b>(654.296)</b>        | <b>(492.743)</b>        |
| <b>Cash flows from financing activities</b>                                 |                         |                         |                         |                         |
| Proceeds from borrowings  | 662.122                 | 1.723.132               | 762.253                 | 1.412.776               |
| Held to Maturity Securities   | (167.968)               | 0                       | (167.968)               | 0                       |
| Loans repayments  | (191.354)               | (1.350.085)             | (324.542)               | (1.278.270)             |
| Dividends paid  | (141.021)               | (137.901)               | (137.369)               | (137.901)               |
| <b>Net cash generated from / (used in ) financing activities (c)</b>        | <b>161.779</b>          | <b>235.146</b>          | <b>132.374</b>          | <b>(3.395)</b>          |
| <b>Net increase / (decrease) in cash &amp; cash equivalents (a)+(b)+(c)</b> | <b>104.561</b>          | <b>(385.340)</b>        | <b>92.191</b>           | <b>(392.423)</b>        |
| <b>Cash &amp; cash equivalents at the beginning of the year</b>             | <b>491.196</b>          | <b>876.536</b>          | <b>127.809</b>          | <b>520.232</b>          |
| <b>Cash &amp; cash equivalents at end of the year</b>                       | <b>595.757</b>          | <b>491.196</b>          | <b>220.000</b>          | <b>127.809</b>          |

## ADDITIONAL INFORMATION

1. Note 35 of the annual consolidated financial statements includes the names of all subsidiary companies and their related information. 2. No shares are owned either by the parent company or any of the subsidiaries as at the end of the reporting period. 3. The parent company HELLENIC PETROLEUM SA has not been subject to a tax audit for the fiscal years 2002 – 2009, while the most material subsidiaries for the fiscal years 2005 – 2009 (Note 32 of the annual consolidated financial statements). 4. The accounting policies used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010 are consistent with those applied for the preparation of the annual consolidated financial statements for the year ended 31 December 2009, except for the new or revised accounting standards and interpretations that have been implemented in 2010, as outlined in paragraph 2 of the annual consolidated financial statements. 5. The Group is involved in a number of legal proceedings and has various unresolved claims pending arising in the ordinary course of business. Based on currently available information, management believes the outcome will not have a significant impact on the Group's operating results or financial position. 6. On 10 December 2009, the Group acquired 100% of BP Hellas S.A. (subsequently renamed Hellenic Fuels S.A.). The total consideration for the transaction amounted to € 376,7 m. The subsidiary was consolidated for the first time during 2009 under the full consolidation method. In 2010 the fair value of Hellenic Fuels S.A. assets and the final consideration price of € 365,8 m were finalised as mentioned in Note 34 of the annual consolidated financial statements. 7. Number of employees at 31 December 2010 in Greece: Company – 2.467, Group – 3.639 (31 December 2009: Company – 2.538, Group – 3.708). 8. Based on Art.5 of the new tax law 3845/2010 (FEK 65A' – 6/5/2010), an additional income tax provision regarding the profits of financial year 2009 have been included in the financial information of the Group and the parent company, amounting to €26 million and €22 million respectively. 9. Also, in the Group Consolidated Accounts and the parent statutory Accounts there is an amount of € 12,2m which was provided for interim dividend tax for the year 2010 as applied by the current tax regime. 10. Where necessary, comparative figures have been reclassified to conform to the changes in the presentation of the current year.

11. The amount of provisions included in the Statement of Financial Position are as follows:

|  | GROUP   | COMPANY |
|--|---------|---------|
| a) for pending legal cases                   | 7.814   | 3.000   |
| β) for tax matters                           | 18.310  | 17.000  |
| c) for SLI                                   | 143.414 | 107.917 |
| d) for other provisions relating to expenses | 5.849   | 5.611   |

12. Other comprehensive income for the period, net of tax, for the Group and the parent company are as follows:

|   | GROUP           |              | COMPANY         |              |
|---|-----------------|--------------|-----------------|--------------|
|   | 31/12/2010      | 31/12/2009   | 31/12/2010      | 31/12/2009   |
| Available-for-sale financial assets                       | 44              | (201)        | 0               | 0            |
| Unrealised gains / (losses) on revaluation of hedges      | (25.188)        | 7.425        | (25.188)        | 7.425        |
| Translation exchange differences                          | 2.074           | (4.852)      | 0               | 0            |
| <b>Net income/(expense) recognised directly in equity</b> | <b>(23.070)</b> | <b>2.372</b> | <b>(25.188)</b> | <b>7.425</b> |

13. Transactions and balances with related parties for the Group and the parent company (in thousands of €) are as follows:

|   | GROUP   | COMPANY   |
|---|---------|-----------|
| Sales of goods and services                                       | 421.105 | 3.348.802 |
| Purchases of goods and services                                   | 49.198  | 97.127    |
| Receivables   | 196.167 | 453.295   |
| Payables  | 301.402 | 28.209    |
| Board members and senior management remuneration & other benefits | 4.450   | 1.127     |
| Amounts due to/(from) Board members and senior management         | 0       | 0         |

Athens, 24 February 2011

CHAIRMAN OF BOARD

CHIEF EXECUTIVE OFFICER

GROUP CHIEF FINANCIAL OFFICER

FINANCIAL MANAGER

ANASTASIOS K. GIANNITSIS  
ID. Number M.865601JOHN A. COSTOPOULOS  
ID. Number 702932584ANDREAS N. SHIAMISHIS  
ID. Number AA. 010147IOANNIS D. LETSIOS  
ID. Number AE. 104203



### **5.3 Website**

The annual financial statements of the Hellenic Petroleum Group and the parent company on a consolidated and non-consolidated basis, the Independent Auditors' Report and the Annual Report of the Board of Directors are available on the internet at [www.helpe.gr](http://www.helpe.gr).

The financial statements of the companies included in EKO SA are posted on the internet at [www.eko.gr](http://www.eko.gr).